EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,587
© THE FINANCIAL TIMES LIMITED 1991

Monday October 21 1991

D 8523A

COAL INDUSTRY
A black future without subsidies
Page 8

World News

Commonwealth leaders issue statement of principles

A declaration of principles to guide the Commonwealth in the 1990s was issued by the organisation's heads of government yesterday, stressing the importance of democratic processes and human rights.

However, the declaration, drawn up after a weekend of informal talks in Zimbabwe, fell short of the tough prescriptions advocated by Britain.

Motherland party rallies
Early returns from Turkey's general election looked likely to produce an inconclusive result, although the ruling Motherland party (Anap) appeared to be doing better than forecast. Anap had been expected to lose its overall majority. Page 18

Earthquake hits India
More than 500 people were feared killed by an earthquake measuring 6.1 on the Richter scale, which rocked the Himalayan foothills in India's northern state of Uttar Pradesh. Page 4

Croatian fighting eases
Fighting appeared to ease in Croatia after the federal army and leaders of the rebel republic ordered another ceasefire, though Belgrade radio reported fierce battles around Lipik and Jasenovac in central Croatia. Page 18

SFO official arrested
An investigator with the UK's Serious Fraud Office working on the Bank of Credit and Commerce International inquiry has been arrested and charged with conspiracy to pervert the course of justice. Page 18

Swiss coalition stays
The four-party coalition that has governed Switzerland since 1959 will continue to dominate the federal parliament for the next four years, according to early returns from the general election.

Afghan fighting flares
Heavy fighting around three cities in eastern Afghanistan has been reported amid claims from Pakistani-based guerrilla news agencies that Mujahideen fighters have recaptured a key government military post outside Gardez city.

Hrawi visits Paris
Lebanese president Elias Hrawi arrived in Paris amid heavy security for a fence-mending visit in which he will ask for aid to help Lebanon recover from 15 years of civil war.

Mobutu disavows PM
Zaire's embattled president Mobutu Sese Seko wants to sack newly appointed prime minister Etienne Tshisekedi and replace him with another candidate named by opposition parties.

Brisbane jury undecided
Sir Joh Bjelke-Petersen, former conservative premier of Queensland who ran Australia's "deep north" for 19 years, may face a second trial after a Brisbane jury failed to decide whether he was guilty of perjury. Page 4

Two killed in Soweto
Two residents of Soweto were killed after being shot by Inkatha supporters as they were travelling in a Johannesburg-bound train.

Green watchdog urged
A UN-sponsored report has called for the creation of an international watchdog body to investigate worldwide environmental abuses.

Pope decries killings
Pope John Paul II, on a 10-day trip to Brazil, has decried death squad killings of thousands of street children and their exploitation as drug dealers or prostitutes.

Business Summary

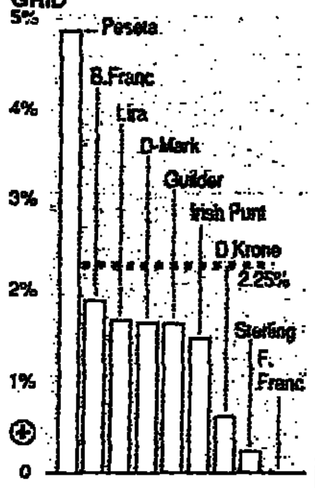
Kuwait $5bn loan may be shunned by UK banks

Reluctance by leading UK banks to join other international banks at a senior level in Kuwait's $5bn syndicated loan for postwar rebuilding could endanger British industry's chances of winning large contracts as well as the export of UK goods and services.

Kuwait announced plans to borrow $5bn in the syndicated loans market on October 10, marking its debut in the international capital markets. Page 19

EUROPEAN Monetary System: The French franc stayed at the bottom of the ERM grid last week after the Bank of France lowered its intervention rate by ¼ percentage point to 8.75 per cent. But relief that the Bank of France had not cut rates by a ½ point, as some dealers had feared, kept the franc steady against the D-Mark. Positive comments from the Bank of Spain on the outlook for inflation kept the peseta at the top of the grid.

EMS October 18, 1991



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands. Currencies, Page 29; Economics Notebook, Page 19

OLYMPIA & YORK, Canada-based international property company, has sold a 49 per cent stake in a New York office block to associates of Mr Li Ka-Shing, Hong Kong's biggest property developer, for an unknown sum. Page 21

APPLE COMPUTER has teamed up with Sony, Japanese consumer electronics giant, which is to manufacture one of Apple's three new portable models of the Macintosh in Japan and California. Page 19

MCDONNELL Douglas, US defence group, saw a substantial year-on-year rise in third quarter profits to $77m and further improvement in its debt-to-equity ratio. Page 21

EXECUTIVE Life saw five of the eight groups seeking to acquire the failed Californian insurance company raise their offers. Page 21

BANK of England last night expressed puzzlement over a meeting requested by small shareholders in Brent Walker, the troubled UK leisure group. Page 20

UK economy: two economic surveys indicate that the recession may be shifting gradually to recovery, although the strength of the upturn is proving difficult to assess. Page 18

LAIDLAW, Canadian waste services and school bus operator, has lost more than a fifth of its value since reporting a $466m quarterly loss last Wednesday. Page 21

Shamir's coalition votes 17-3 to accept the US-Soviet invitation

Israelis agree to attend Middle East peace talks

By **Hugh Carnegy** in Jerusalem and **Tony Walker** in Nicosia

THE ISRAELI government yesterday elected by a wide margin to attend a Middle East peace conference to be convened in Madrid next week by the US and Soviet presidents.

Few ministers in Mr Yitzhak Shamir's 20-member hardline coalition cabinet expressed enthusiasm for the talks, but only three voted against. They included Mr Ariel Sharon, the right-wing housing minister, the only member of Mr Shamir's Likud party to do so.

The decision consolidated preparations for the conference following the announcement of invitations last Friday by Mr James Baker, the US secretary of state, after eight months of diplomacy.

Jordan also accepted over the weekend. The other leading participants - Syria, Lebanon and the Palestinians - are expected to meet Wednesday's deadline for formal acceptance of the US-Soviet invitation.

Mr Dan Meridor, the Israeli justice minister and a close associate of Mr Shamir, said there was no euphoria over the prospect of negotiations in which the Arab side will seek to overturn Israel's refusal to give up Arab territories occupied since 1967.

"We'll have to be able and ready to be flexible when possible and stubborn when necessary - even if we are alone, even if everyone is angry with us - because we are talking about the most vital Israeli interests to ensure our security for many years to come," Mr Meridor said.

■ White House double act pays dividends; Toughest part still to come in complex search for peace; Arafat embarks on his biggest gamble, Page 2
■ Editorial Comment, Page 16

The cabinet gave its assent despite failing to achieve one of its main preconditions - prior notice of the names of Palestinian delegates in the joint Jordanian-Palestinian delegation to the conference. It had to make do with Mr Baker's assurances that names selected by the Palestinian side would exclude figures directly tied to the Palestine Liberation Organisation or from Arab east Jerusalem.

A hitch could yet develop over the so-far unpublished Palestinian list if Israel objects to any of the names.

Officials have also warned that violent acts by extremists could upset the conference plans.

In Amman last night, Mr Yassir Arafat, the PLO leader, was consulting Jordanian officials and Palestinians from the Israeli occupied territories on the make-up of the Palestinian delegation.

The Palestinians had apparently still not finalised their list, but it is understood it will comprise 14 people, three or four of whom would not take part directly in negotiations but would act as consultants.

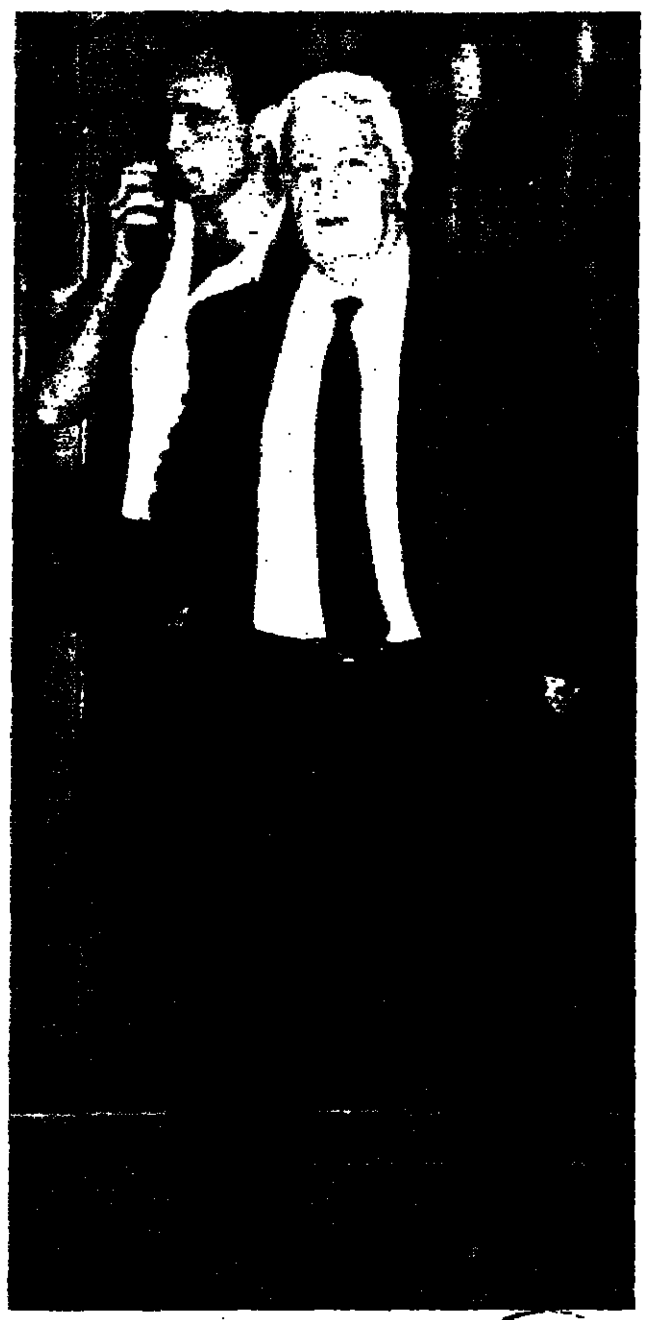
The head of the delegates who would conduct the talks was reported to be Dr Haidar Abdul-Shaffi, the 72-year old head of the Gaza Strip Red Crescent Society and a long-time political activist.

The progress of talks beyond the initial three-day ceremonial conference opening is already subject to some uncertainty.

Syria and Israel disagree on where they should hold their bilateral negotiations, which are due to start on the fourth day. Syria wants them held in Madrid, but Israel wants to move them back to the region, suggesting alternating sites in Israel and Syria.

A fortnight after the start of bilateral talks, other Arab states, including Egypt and the Gulf states, will begin multilateral discussions on regional issues, including the environment and water supplies. No fixed time limit on these discussions has yet been decided.

However, PLO officials said that Mr Arafat had agreed in talks on Saturday with President Hafez al-Assad of Syria that the multilateral discussions should not begin until the bilateral talks are over.



Right-wing minister Ariel Sharon was the only member of Yitzhak Shamir's Likud party to vote against the talks

Release of US hostage in Lebanon expected soon

By **Hugh Carnegy** in Jerusalem

A US hostage in Lebanon was last night expected to be freed imminently, according to the United Nations in Beirut.

Israel was also said to be ready to release some Lebanese prisoners, indicating continued progress in UN efforts to arranged a global exchange of prisoners in the Middle East.

In Jerusalem, Mr Uri Lubrani, Israel's chief hostage negotiator, said he hoped all hostages would have left Lebanon by Christmas. "I hope that by the end of the year, by the end of 1991, this thing will be beyond us," he told Visnews, the television news agency.

Israel refused to confirm the UN statement that the expected release of an American hostage would be matched by the release of a number of Arab prisoners held by Israel's surrogate militia in south Lebanon. However, Mr Lubrani said the freeing of another hostage could trigger a further release of Israeli-held prisoners.

The UN statement did not say which of the five remaining US hostages in Lebanon was expected to be freed. Iranian media reports suggested that Mr Joseph Cicippio would be next. The other four US hostages among nine westerners still held are Mr Terry Anderson, Mr Thomas Sutherland, Mr Alann Steen and Mr Jesse Turner.

The death of three Israeli soldiers in a bomb explosion in the so-called security zone that Israel occupies in south Lebanon yesterday underlined the government's reluctance to make concessions to the hostage takers without satisfying its demands in return. Responsibility was claimed in Beirut by Islamic Resistance, a group associated with Hizbollah, the militant Moslem fundamentalist organisation holding the remaining western hostages.

Mr Lubrani was clearly encouraged by news from Hizbollah, delivered via the UN, about the fate of Private Yossi Fink, a British-born Israeli soldier captured in 1986. Although Pte Fink was confirmed to be dead - a fellow soldier captured with him was also confirmed dead last month - Mr Lubrani said the news showed the UN effort to release the hostages was proceeding.

Israel has received firm news that three of its seven missing men are dead. Hizbollah is demanding that Israel release all its 300 Lebanese prisoners in exchange for the western hostages. But Israel will not do so until all its soldiers are accounted for. Mr Lubrani declined to confirm a further release of Arab prisoners, saying Israel's release of 51 prisoners last month was part of the price paid for news about Pte Fink.

France changes tack on EC farm policy reforms

By **William Dawkins** in Paris

FRANCE gave qualified support to European Community farm policy reforms over the weekend, a sharp change in policy which gives hope of progress in the deadlocked talks on world trade reforms under the General Agreement on Tariffs and Trade.

The change in position, from one of the staunchest defenders of EC farm policy, comes in spite of violent protests from French farmers, who accuse the government of failing to defend their interests.

It also comes in the week after Germany's decision to back European Commission plans to curb farm subsidies and compensate farmers with direct income support, clearly increasing the pressure on France to accept some reform.

Farmers' demonstrations against the government continued over the weekend, causing President François Mitterrand to call a crisis meeting with the ministers responsible to consider a public order clampdown. Tyres were burnt in front of some local government offices, tractors staged go-slows on motorways and visits by ministers were interrupted by protests.

Mr Louis Mermaz, agriculture minister, will explain the government's position to EC agriculture ministers in Luxembourg today and tomorrow.

"The time has come for France, with others, to make up a group of countries capable at European level of getting others to get reform of community agriculture policy moving," Mr Mermaz told a seminar at the weekend.

The EC must continue to be self-sufficient in food and be able to export, though without producing surpluses, he said, but "the laws of the market must not be the only brutal regulation for rural society".

Government officials added that France was ready to agree to price cuts so long as they were spread out over more than three years, there was clear compensation for loss of income, and any decline in the EC's share of world agricultural markets went to developing countries rather than the US.

The problem remained to persuade French farmers to change their traditional distaste for income support, which they suspect as the first step towards abandonment of public support for farming. Mr Mermaz is promising widespread consultations with the farmers at the end of this month.

France's conversion to farm policy reform, agreed by an interministerial committee late last week, appears to contain more qualifications than Germany's, subject to the details to be explained by Mr Mermaz today.

Even so, it could further increase the EC's negotiating flexibility in Gatt, where talks were halted last December by a deadlock among countries on farm subsidies.

Republican voters vexed by former Klansman

By **George Graham** in Washington

US REPUBLICANS face a tough decision over whether to back a former Ku Klux Klan and neo-Nazi leader in next month's election for the governorship of Louisiana or give their reluctant support to a Democrat.

After a first round of voting on Saturday, ex-Klansman Mr David Duke came a close second to Mr Edwin Edwards, a traditional Democrat who held the governorship for three terms before being voted out in 1987 under a cloud of corruption charges.

Mr Duke, who ran as a Republican, though without the backing of the party, beat incumbent governor Buddy Roemer, who was elected as a Democrat in 1987 but switched to the Republican party earlier this year.

Louisiana, which is sometimes described as America's last banana republic, has a somewhat peculiar political history.

The governorship carries much greater power than in many other states - the governor has patronage over more political appointments than even the president of the US - and that power has in the past been wielded ruthlessly.

Under the state's French-style, two-round voting system, Mr Edwards and Mr Duke will go forward to a run-off on November 16. And like mainstream conservatives in France who must wrestle with the problem of the extreme right-wing National Front, Republicans will then have to decide between two candidates they dislike.

Former Governor Edwards has been twice acquitted in corruption trials and argues that after emerging from 16 grand jury investigations without a conviction he must be the most demonstrably honest man in the US.

With solid support in the French-speaking Cajun community, he also wins the votes of most blacks, who make up over a quarter of Louisiana's electorate.

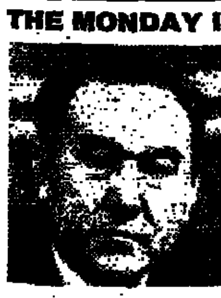
Mr Duke, on the other hand, says he has left his Klan days behind him.

Nevertheless, his electoral message includes a strong appeal to racial issues, although he usually refers to blacks by code phrases such as "the welfare underclass".

Continued on Page 18

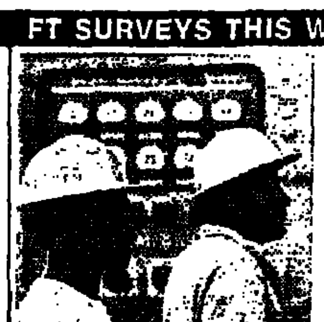
CONTENTS

THE MONDAY INTERVIEW



Kazakhstan's President Nazarbayev is the subject of consider able interest - he favours preserving a political and economic union, he is one of the first Soviet leaders to embrace market reform, and his republic is rich in natural resources
Page 34

FT SURVEYS THIS WEEK



MEXICO: confidence in the economy is at the highest level for years.
(Thursday's survey).

The wily PLO leader can be under no illusion about the risks involved

Arafat embarks on his biggest gamble

By Tony Walker in Nicosia and **Lamis Andoni** in Amman

WHEN Mr Yassir Arafat, the PLO chairman, allowed the names of Palestinian delegates to the Middle East peace talks to be dispatched to US officials in Jerusalem on Friday, he was up to his old tricks – seeking to make the best of his organisation's weak hand.

Believing that advantage could be gained by the quick release of the names, Mr Arafat ignored undertakings to colleagues that a list of candidates for a joint Jordanian/Palestinian delegation would be withheld until the last minute.

The fact that Mr James Baker, US secretary of state, was able to say early in the day that the Palestinians named met all reasonable criteria gave an immense boost to his efforts finally to pressure a reluctant Israeli leadership to agree in principle to participate in the October 30 Madrid conference.

In Tunis, Mr Arafat had the satisfaction of knowing that his gesture had contributed to Israeli discomfort, and had helped to advance US peace moves. His colleagues were left muttering, and not for the first time, about lack of consultation.

For the irrepressible PLO leader these are heady days. Television footage of his arrival in Damascus on Saturday for talks with President Hafez al-Assad showed an ebullient Mr Arafat back where he has always craved to be: on the Arab and international stage, a player, albeit on the periphery, in the modern "game of nations".

But even as Mr Arafat was emerging from the isolation imposed on him because of his ill-starred support of Iraq in the Gulf war, he must have realised he was engaging in yet another risky gamble – which have marked his 22 years at the PLO helm – in the hope that he could finesse a situation of weakness to his own and Palestinian advantage.

Mr Arafat can be under no illusions about his gamble's dimensions. Not only is his own position potentially at risk, so too is the survival of the PLO, as presently constituted. The Tunis-based leadership has been obliged in its post-Gulf war weakness to swallow virtually all Israel's conditions for participation in the Madrid conference.

Israel had said it would not sit down with members of PLO institutions, nor would it negotiate with Palestinians from the Diaspora or those from the Arab east Jerusalem, seized in the 1967 war. It would agree only to talk with residents of the West Bank of the River Jordan and Gaza Strip.

Israel would also not agree in advance to halt settlements in occupied territories once the conference got under way, nor would it accept that trading "land for peace" should be the summit's guiding principle.

Mr Arafat has also been obliged to sanction what PLO leaders, jealous of their role as "sole, legitimate representatives" of the Palestinians, have long feared – the emergence of an indigenous group from the West Bank and Gaza as interlocutors for the Palestinian national movement.

By last week it was clear that Arab states, including Syria, Lebanon, Jordan and Egypt – the latter among the PLO's more steadfast supporters – would go to the peace conference on US terms, whatever course the PLO chose.

Mr Arafat had been hoping that the states would insist on "face-saving" gestures, such as Israeli agreement to halt settlements once the conference began, and also a better deal for the PLO on representation. But as the PLO's policy-making Central Council met through the night on Thursday and into Friday morning, it was clear there would be no fig leaf for Mr Arafat and his colleagues.

They fear that not only will the peace conference lead nowhere, but will provide a cover for Israel to continue its settlement drive in the territories, "creating facts" on the ground that will become irreversible. There are also lingering worries among the PLO leadership that the stuttering *intifada*, or uprising against Israeli rule in the West Bank and Gaza Strip launched in late 1987, may finally expire now that attention will be focused on peace talks.

The Tunis leadership will not have drawn much comfort from sentiments being expressed in the Gulf.

Mr Ahmed Jarallah, editor of the Kuwaiti daily newspaper Al Siyassah, wrote at the weekend: "This time the Arabs will hang on to the last chance of peace and will not let it slip. We will enter the talks and dialogue with Israel whether the Palestinians accept or reject and whether they come or stay away."

While Kuwait has specific reasons for feeling aggrieved, there is no doubt that this sentiment is broadly shared throughout the Gulf, a workplace for tens of thousands of Palestinians and, until the Gulf crisis, by far the main source of funds for the PLO.

Palestinians warn, however, that Arab states which are now applying pressure on the PLO may live to regret its weakening or disintegration, if that is the result. For better or worse, they say, the organisation has provided an umbrella for a broad spectrum of Palestinian opinion – from militants to the most flexible pragmatists.

If the PLO were to crumble, the energies of Palestinian militants would lose their focus and become more difficult to manage. Frustrations might boil over.

For Mr Arafat, who turned 63 in August, these must be intriguing times. He was in Damascus on Saturday. He was in Jordan yesterday and is due in Cairo today for his first formal encounter with President Hosni Mubarak since an Arab League summit in August 1990.

He must be hoping a renewed peace process, however unpromising it may now seem for the weakened Palestinians, will create new opportunities. This may prove to be Mr Arafat's last big gamble, but as he has asked colleagues in the leadership repeatedly: "What alternative is there?"

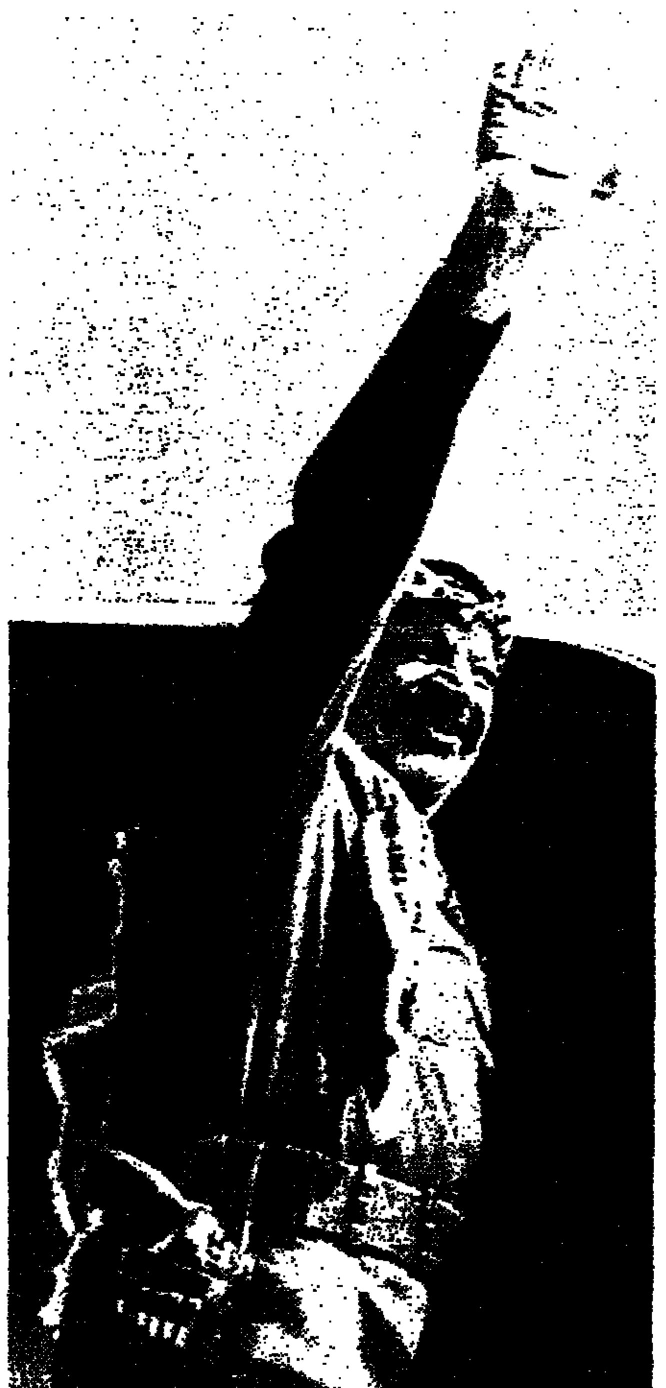
ISRAEL and Syria are already at odds about where to hold direct bilateral negotiations which are scheduled to begin immediately after the Middle East peace conference next week, diplomats said, Reuter reports from Washington.

The officials said Syria wanted to hold the talks in Madrid, site of the October 30 conference, to stress that the talks were an outgrowth of the conference itself.

But Israel, which has always opposed wide international involvement in solving the Arab-Israeli conflict and insisted on one-on-one talks with each of its enemies, would like to hold the negotiations in the Middle East.

It has suggested alternating them between a town in the Galilee and a site in Syria.

The Syrians refuse to go to Israel or to allow Israelis to visit Syria as they believe this would give the Jewish state an extra measure of legitimacy without gaining any Israeli concessions in exchange.



Yassir Arafat leaving Damascus yesterday after two days of negotiations with Syrian leaders

Iranians condemn Arab link with talks

By Lara Marlowe in Tehran

IRANIAN leaders called for armed struggle against Israel and condemned the participation of Arab governments in the Madrid peace conference, at a four-day meeting which opened here at the weekend.

Some 400 delegates from 45 countries are attending the meeting, which brings together the most uncompromising groups in the Middle East and which – despite its obviously rhetorical nature – sits uneasily with Iran's desire to improve relations with the west.

The Islamic nature of the meeting reflects the increased influence of fundamentalist groups such as Hamas in the Israeli-occupied territories and the Hizbollah in Lebanon. These groups now appear to provide the only alternative for Palestinians and Moslems disillusioned with what they see as the "surrenderist" policies of their leaders towards Israel.

In his opening address, President Ali Akbar Hashemi Rafsanjani, Iran's president, announced that "Iran is even ready to despatch troops to fight Israel along with the Palestinians."

He implicitly criticised his ally, President Hafez al-Assad of Syria, claiming that Syria would lose from participating in the US-sponsored negotiations.

There has been tension between the Palestine Liberation Organisation's delegation – under fire because of the acquiescence of Mr Yassir Arafat, the PLO leader, to the plans for a peace conference – and "rejectionists" represented here by Mr Ahmad Jibril of the Popular Front for the Liberation of Palestine-General Command, the pro-Syrian breakaway group Abu Musa, and Abu Nidal's Fatah Revolutionary Command.

The conference seeks to "Islamicise" all remaining opposition to Israel in the region, and to bring extremists of every variety under Tehran's control.

Tehran is also seeking to secure the loyalty of Middle East groups which were formerly financed by the Soviet Union.

White House's double act pays dividends

By Lionel Barber in Washington

MR James Baker has left no arm untwisted in his search for a breakthrough in the Arab-Israel conflict. Since the end of the Gulf war in March, the US secretary of state has made eight trips to the Middle East, a prodigious effort which has now paid off.

Both Mr Baker and President George Bush are determined to advance the Middle East peace process, and together they make a formidable double act.

Theirs is an unsentimental view of the world. Rather than dwell on the historical nature of the Arab-Israel conflict, both prefer to see the dispute as a series of practical problems which can be resolved.

The question in the coming months is whether this approach is correct, or whether old rivalries will reassert themselves once the various parties sit down at the negotiating table. At present, the mood in the US camp is one of guarded *optimism*.

Its assumption is that the US-led victory over Iraq has created a set of circumstances which are more favourable than at any stage since President Anwar Sadat of Egypt signalled his willingness to make peace with Israel by his visit to Jerusalem in 1977.

Firstly, the Gulf war provided a vivid display of US military supremacy. Arab doubts about the US willingness to use force in pursuit of its vital interests have vanished, at least temporarily; the sight this month of Mr Baker signing up support from Syria, Lebanon, Egypt and Jordan for the US peace plan demonstrated Washington's unchallenged influence in the region.

Secondly, the war weakened the Palestine Liberation Organisation's claims to a primary role in peace-making. By aligning itself with Iraq, the PLO alienated Saudi Arabia and other Gulf states, opening the door for Mr Baker to persuade moderate Palestinians in the occupied territories to come forward as negotiating partners.

Thirdly, Israel, which faces a huge influx of Soviet Jewish *immigration*, is desperate to secure $10bn (£5.8bn) of US government loan guarantees for housing. No one in the administration has been so crude as to spell out direct linkage between approval of the loan guarantees and the peace process, but the issue provides the US with some leverage – provided the administration does not move too far ahead of the US Congress, where pro-Israeli sentiment remains strong.

Yet the end of the Cold War may turn out to be the most important factor.

The decline in Soviet power provided the impetus for Syria, Moscow's long-time client, to edge into the US camp – a point which Mr Baker has made vigorously in his conversations with Mr Yitzhak Shamir, the Israeli prime minister.

Although the Soviet authorities have a role as co-sponsor of the regional conference, this is largely window-dressing. The driving force continues to be the US which, in the words of one US official, "is offering the only game in town".

Mr Baker is offering a twin-track approach which seeks to find a way for the Arabs and Israel to make peace, while prodding the Israelis and the Palestinians to begin a dialogue.

This represents a new order of priorities. In the first 18 months of the administration, Mr Baker emphasised the primacy of the Palestinian issue, attributing near magical properties to an Israeli-Palestinian dialogue as a catalyst for regional peace.

In effect, the US has accepted Mr Shamir's argument that a fresh effort to resolve the Palestinian problem needs to be linked to progress between Israel and the Arab states.

Baker is offering a twin-track approach which seeks to find a way for the Arabs and Israel to make peace, while prodding the Israelis and the PLO to begin a dialogue

It is unclear how much else the administration has in common with Mr Shamir. Both Mr Bush and Mr Baker have become progressively disenchanted with the hard-line Israeli prime minister and his Likud colleagues.

Mr Bush still bears a grudge because Mr Shamir has defied US wishes by continuing to settle Jews in the occupied territories. Mr Baker felt so frustrated by Israeli intransigence last year that he advised the government not to get in touch unless they were serious about peace, in which case they should telephone the White House.

The danger is that US-Israeli antagonisms may have reached the point where basic trust is jeopardised. Mr Baker denies that he has made any secret deals with Syria, but he has been equally explicit in stating that Washington does not recognise Israel's occupation of the Golan Heights. Equally, Mr Bush has made clear that the status of east Jerusalem is open to negotiation – a view flatly contradicted not only by Mr Shamir but also by many Israelis of a more moderate political persuasion.

A regional peace conference may therefore be more show than immediate substance, a chance for all parties, President Mikhail Gorbachev included, to sit down in front of the TV cameras before the hard work begins in bilateral negotiations.

On the assumption that Mr Bush can keep the parties talking to each other through 1992 it ought to be enough for the president to proclaim another foreign policy success in the run-up to the November election.

Critics argue that Mr Bush's interest in foreign affairs at the expense of domestic policy has made him "president of the world" rather than president of the US. He might well agree.

Israeli right wing puts its faith in settlements programme

By Hugh Carnegy in Jerusalem

"IF WE double the settlements I think all the political questions about the Palestinian state will disappear – will have no meaning any more. So that is why we have to rush."

The words, spoken a few months ago by Ms Geula Cohen, a junior government minister, testify to the openness among right wingers in Mr Yitzhak Shamir's coalition about the objective of their frantic programme to expand Jewish settlement in the occupied Arab territories.

By "creating facts on the ground" they intend to make it physically impossible for next week's Middle East peace negotiations to achieve a settlement based on the return of territory by Israel and the establishment of a Palestinian state.

To emphasise the point that this objective is in no way contested by Mr Shamir and the mainstream of his Likud party, Mr Ariel Sharon, the burly housing minister who has spearheaded the settlement drive, declares that everything he does has the approval and support of the prime minister.

The pace of settlement expansion since Mr Sharon took over the housing post 18 months ago has been remarkable. Housing starts in the West Bank and Gaza Strip – excluding Arab east Jerusalem and the Syrian Golan Heights – jumped from 580 in 1989 to more than 2,000 in the year to March 1991. The Housing Ministry says it plans another 13,000 by the end of 1992, but opposition research groups say the true figure is nearer 20,000. Annual spending is reckoned to have doubled to about Shk3bn (£722m).

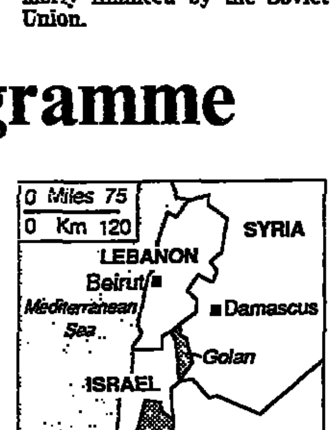
If this building takes place and the houses are filled, the Jewish population of the West Bank will almost double its present level of about 100,000. There will be a Jewish majority in some areas.

The issue is not just one of people. Settlement building has resulted in large tracts of land formerly in Palestinian hands being acquired by Israel or private Jewish groups.

Although the settlements themselves – there are 150 in the West Bank and 15 in Gaza – occupy only a small percentage of the total occupied land area, security and other considerations have led the government to designate half the West Bank and one third of Gaza for Israeli use. Settlers receive three times the water allocation of local Palestinians.

On the Golan Heights, annexed in 1981, there are plans to expand the Jewish population to 40,000 from the present level of about 12,000. In annexed east Jerusalem, 12 Jewish suburbs have been established since 1967, housing about 120,000 people. They surround and separate the city's Arab areas, which have a population of 140,000.

Palestinians hope the coming talks will reverse the settlement process. But they are worried that Ms Cohen and her colleagues have already loaded the dice against them.



Toughest part still to come in complex search for peace

Differing interpretations of the conference's role will pose formidable obstacles, writes **Roger Matthews**

None of the delegates arriving at the peace conference will be in any doubt that the easy part of resolving the Arab-Israel conflict has been completed.

Huge though the effort may have been to get everyone to the same table, the procedural issues pale into insignificance when set alongside the problems still to be addressed.

At the outset there is a serious difference of interpretation over the conference's purpose. The wider international understanding – including that of the US, Soviet Union and the Arab participants – is that the negotiations will be about returning Arab land occupied by Israel during the 1967 six-day war with Jordan, Syria and Egypt.

UN resolution 242, passed after the 1967 war, and Resolution 338, which was framed after the 1973 conflict, provide for an exchange of land for peace. The Arab states will all agree to recognise Israel and allow it to live in peace behind defined borders. In return they would expect to have the occupied territories returned to them.

Mr Yitzhak Shamir, Israel's prime minister, views the issue differently.

He says Israel has already completed the requirements of the UN resolutions by returning the Sinai peninsula to Egypt as part of the 1979 peace treaty signed with the late President Anwar Sadat. He refuses to contemplate withdrawing from the West Bank and Gaza which, he argues, are part of biblical Israel and can never be ceded. All Mr Shamir says he will discuss is exchanging peace for peace.

Peace brokers: (from left) Prime Minister Yitzhak Shamir, President Hafez al-Assad and King Hussein are likely to seek US reassurance

If the Israeli delegation sticks rigidly to this formula and refuses to acknowledge that some territory might be returned, then the conference could be brief. Assuming that Israel is persuaded to be a little more flexible, then the conference will split into a series of bilateral meetings to negotiate the issues involving Israel and each of its neighbours.

The dominant issue is that of the 1.75m Palestinians living in the West Bank and Gaza. They want nothing less than self-determination and eventually their own state, a view endorsed by King Hussein of Jordan, who previously had sovereignty over the West Bank, and all Arab countries. The most Israel has been willing to countenance in the past was a degree of autonomy for the people while retaining control of the land and the right to maintain military bases.

A self-governing West Bank and Gaza might have to be linked by a land corridor through Israel proper, while even the most generous Israeli negotiators would insist on thickening Israel's pre-1967 waist north of Tel Aviv.

The parties would also need to negotiate on the weaponry permitted to be held by the new entity to ensure it did not pose a threat to Israel, together with water rights, economic co-operation, movement of labour, and the right of return for Palestinians living in the Diaspora.

Another option, discussed previously, would be for Palestinian autonomy or self-determination to be expressed in association with Jordan. This formula would allow for King Hussein nominally to restore the occupied territories to the *Hashemite* kingdom, while allowing the inhabitants to be largely responsible for their own affairs. It is a formula favoured by the US as falling between the outright demand of the Palestinians for a state and Israel's determination to prevent such an outcome.

Nothing, however, would be more contentious than the future of the more than 100,000 Israeli settlers who have made their homes on land expropriated from the Palestinians.

Israel's aim for the last 15 years has been to create a series of small towns and villages in the occupied territories to reinforce the expropriation policy which now involves more than 50 per cent of the total land area. For Israel to re-settle its citizens from the occupied territories would be a huge and expensive logistical exercise. Some Israelis argue that any government which attempted to enforce such a policy would be toppled.

The issue becomes even more emotionally fraught when it comes to Arab east Jerusalem. Israel annexed east Jerusalem after the 1967 war and declared it would forever remain as the undivided capital of Israel. The annexation has been rejected internationally, and most countries continue to site their embassies in Tel Aviv.

For the Palestinians – both Moslem and Christian – east Jerusalem is in religious and political terms the single most important part of the West Bank and the natural capital for a future state. So strongly does Jerusalem tug at the emotions of all the peoples of the region that none could contemplate a solution which did not acknowledge their special rights in the city.

Syria comes to the peace table as the country which feels it has most consistently and unwaveringly supported the Palestinian cause and that of Arab nationalism.

President Hafez al-Assad bitterly opposed President Sadat's unilateral peace initiative which he said from the outset could only lead to Egypt striking a separate deal with Israel. Now Mr Assad could find himself in a similar position; he has already accepted Israel's right to exist behind its pre-1967 borders.

The one strictly bilateral issue to be resolved is the return to Syria of the Golan Heights.

Although the Golan is again an emotional issue for some Israelis, because from its commanding heights Syrian gunners were able to lob shells on the people below, it has far less military importance today. It should not be impossible to reach an agreement, if both sides so wished, for the area to be totally demilitarised with a monitoring system to provide advance warning of any troop movements.

Mr Shamir will be well aware that Mr Assad could not sign any deal which did not include the Golan: what he cannot know is whether, if offered, Mr Assad might accept such an offer with the Palestinian issue still unresolved.

Underlying these negotiations would be Israel's desire to weaken Syria's recently strengthened political influence over Lebanon, while Mr Assad, through the Lebanese government, will wish to see Israel withdraw from the buffer zone it established in the south of the country following its disastrous 1982 invasion.

While the Soviet Union and the US will not be directly involved in the negotiations, their commitment as conference co-sponsors will be needed when all sides address the question of security guarantees. For any Israeli government to contemplate relinquishing strategic depth it will need reassurance of the sort that only the US can realistically provide. The Arab countries may ask for nothing less.

In other words, whatever territorial agreement was suggested it would have to be underwritten by exceptional guarantees. It has been suggested that this may have to include stationing US forces in the region.

For the parties to the conference to begin seriously addressing almost any of these issues would mean they believed negotiations could provide a just and lasting resolution to the Arab-Israel conflict. In itself that would be an enormous step forward.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K. Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Coalition wins backing in Swiss vote

By William Dullforce in Geneva

THE FOUR-PARTY coalition which has governed Switzerland since 1959 will continue to dominate the federal parliament for the next four years.

Early returns from yesterday's general election indicated that within the coalition, which commanded 159 of the 200 seats in the outgoing lower chamber, the Social Democrats made small gains, while the conservative Radicals and the Christian Democrats suffered minor losses and the People's party maintained its position.

In the last election in 1987, the four coalition parties gathered 72 per cent of votes.

Among the small opposition parties yesterday's surprise was an initial gain of three seats by the Automobilists' party, probably as a result of reports in the last days of the election campaign that the government planned to impose a higher tax on petrol.

The Auto party first stood in 1987 and grew out of a reaction against what its supporters saw as the limits on personal freedom, especially on car drivers, being imposed by the ecological movement.

Along with the People's party, smallest in the coalition, the Auto party strongly opposes closer links with Europe. Playing on fears of economic migration from southern and eastern Europe to Switzerland, where a sixth of the population is foreign, they favour freezing immigration.

However, most of the 4.5m electors stayed at home, continuing a 16-year decline in turnout and in interest in the federal parliament in Berne.

The Swiss voted the day before the seven-nation European Free Trade Association, of which Switzerland is a member, is due to complete an agreement with the European Community on formation of a 19-nation European Economic Area.

Swiss voters appeared content to wait to voice their views on the alliance with the EC in a national referendum that must be held on the terms of the proposed European Economic Area.

However, according to the result of a poll published on the morning of the election 53 per cent of Swiss now favour joining the EC.

The poll said 58 per cent believed Switzerland should be part of the 19-nation free market, now being negotiated between the EC and the other states, including Switzerland.

This is the highest pro-EC percentage so far scored in a nationwide opinion test. Moreover, the gap between the French-speaking area, where polls have consistently recorded pro-EC majorities, and the more populous German-speaking cantons appears to be narrowing: in the latest poll half the German speakers said they would accept EC membership.

Significantly, 56 per cent of the 600 people polled complained that they had been kept badly informed about the conditions Switzerland has to meet before joining an EEA or applying for EC membership.

Former Queensland premier may face second trial for perjury

By Kevin Brown in Sydney

SIR Joh Bjelke-Petersen the former conservative premier of Queensland, may face a second trial after a jury failed to decide whether he was guilty of perjury.

Sir Joh, who ran Australia's "deep north" state for 19 years, was removed from office three years ago after several members of his National party government were implicated in corruption allegations.

The perjury charge arose from Sir Joh's evidence to a Royal Commission appointed to investigate the allegations. The charge, which Sir Joh denied, alleged he lied about donations to party funds by a Singapore businessman.

Judge John Helman, in the Brisbane district court, dismissed the jury late on Saturday night when the foreman reported it was deadlocked after five days of debate.

Earlier, Judge Helman rejected a prosecution request for a retrial after it emerged that the jury included a member of the National party. The judge said there was no evidence the juror was unduly favourable to Sir Joh.

Outside the court, Sir Joh said the prosecution had "failed miserably" to prove its case against him. "They were unable to prove that I have done anything wrong in any way, shape or form," he said.

A decision on whether to retry Sir Joh will be taken shortly by Mr Des Drummond, the special prosecutor appointed to pursue cases arising from the royal commission.

Sir Joh, who polarised Australian political opinion, was strongly opposed to trade unions, Aboriginal land rights and homosexual law reform. At one stage, he banned street demonstrations. He was also accused of manipulating the voting system to discriminate against urban voters.

Harare declaration stresses human rights

THE following is a partial text of the Harare Declaration issued yesterday by the 50 Commonwealth leaders at their 28th biennial summit, Reuter reports.

"The heads of government... reaffirm their confidence in the Commonwealth as a voluntary association of sovereign independent states, each responsible for its own policies, consulting and co-operating in the interests of their peoples and in the promotion of international understanding and world peace.

Members of the Commonwealth include people of many different races and origins, encompass every stage of economic development, and comprise a rich variety of cultures, traditions and institutions.

The special strength of the Commonwealth lies in the combination of the diversity of its members with their shared inheritance in language, culture and the rule of law.

The Commonwealth way is to seek consensus through consultation... It is uniquely placed to serve as a model and catalyst for new forms of friendship and co-operation to all in the spirit of the Charter of the United Nations.

Its members also share a commitment to certain fundamental principles... set out in a Declaration of Commonwealth principles... in Singapore in 1971. Those principles have stood the test of time, and we reaffirm our full and continuing commitment to them today. In particular, no less than 20 years ago:

- We believe that international peace and order, global economic development and the rule of international law are essential to the security and prosperity of mankind;
- We believe in the liberty of the individual under the law, in equal rights for all citizens regardless of gender, race, colour, creed or political belief, and in the individual's inalienable right to participate by means of free and democratic political processes in framing the society in which he or she lives;
- We recognise racial prejudice and intolerance as a dangerous sickness and a threat to healthy development, and racial discrimination as an unmitigated evil;

'Commitment to market principles can promote progress'

- We oppose all forms of racial oppression, and we are committed to the principles of human dignity and equality;
- We recognise the importance and urgency of economic and social development to satisfy the basic needs and aspirations of the vast majority of the peoples of the world, and seek the progressive removal of the wide disparities in living standards among our members.

In Harare, our purpose has been to apply those principles... as the Commonwealth prepares to face the challenges of the 1990s and beyond.

Internationally, the world is no longer locked in the iron grip of the Cold War. Totalitarianism is giving way to democracy and justice... Decolonisation is largely complete. Significant changes are at last under way in South Africa. These changes, so desirable and heartening in themselves, present the world and the Commonwealth with new tasks and challenges.

In the last 20 years several Commonwealth countries have made significant progress in economic and social development. There is increasing recognition that commitment to market principles and openness to international trade and investment can promote economic progress and improve living standards.

Many Commonwealth countries are poor and face acute problems, including excessive population growth, crushing poverty, debt burdens and environmental degradation...

Only sound and sustainable development can offer these millions the prospects of betterment. Achieving this will require a flow of public and private resources from the developed to the developing world, and domestic and international regimes conducive to the realisation of these goals...

Having reaffirmed the principles to which the Commonwealth is committed, and reviewed the problems and challenges... we pledge to work with renewed vigour, concentrating in the following areas:

- the protection and promotion of fundamental political values of the Commonwealth;
- democracy and democratic processes and institutions which reflect national circumstances, the rule of law and the independence of the judiciary, just and honest government;
- fundamental human rights, including equal rights and opportunities for all citizens regardless of race, colour, creed or political belief;
- equality for women, so that they may exercise their full and equal rights;
- provision of universal access to education;
- continuing action to bring about the end of apartheid and the establishment of a free, democratic, non-racial and prosperous South Africa.
- promotion of sustainable development and alleviation of poverty in the countries of the Commonwealth through:

'Continuing action to bring about the end of apartheid'

- a stable international economic framework within which growth can be achieved;
- sound economic management recognising the central role of the market economy;
- effective population policies and programmes;
- sound management of technology change;
- the freest possible flow of multilateral trade on terms free and equitable to all, taking account of the special requirements of developing countries.
- an adequate flow of resources from the developed to the developing countries, and action to alleviate the debt burdens of developing countries most in need;
- the development of human resources... paying special attention to the needs of women, youth and children;
- protection of the environment through respect for the principles of sustainable development which we enunciated at Langkawi;
- action to combat drug trafficking and abuse and communicable diseases;
- help for small Commonwealth states in tackling their particular economic and security problems;
- support for the United Nations and other international institutions in the search for peace, disarmament and effective arms control; and in the promotion of international consensus...

To give weight and effectiveness to our commitments we intend to focus and improve Commonwealth co-operation... This would include strengthening the capacity of the Commonwealth to respond to requests from members for assistance in entrenching the practices of democracy, accountable administration and the rule of law.

We call on all the intergovernmental institutions of the Commonwealth to seize the opportunities presented by these challenges...

In reaffirming the principles of the Commonwealth and in committing ourselves to pursue them... in areas where we believe that the Commonwealth has a distinctive contribution to offer, we... express our determination to renew and enhance the value and importance of the Commonwealth as an institution which can and should strengthen and enrich the lives not only of its own members and their peoples but also of the wider community of peoples of which they are a part.

INTERNATIONAL NEWS

New book alleges that 'sanitised' versions of stolen documents went to the Soviet Union

Shamir 'gave US N-secrets to Moscow'

By Alan Friedman in New York

MR Yitzhak Shamir, the Israeli prime minister, gave the Soviet Union "sanitised" versions of secret US intelligence documents that were stolen by Mr Jonathan Pollard, the Israeli spy who is now serving a life prison term in the US, according to a new book on Israel's nuclear arsenal by Mr Seymour Hersh.

The allegation is contained in *The Samson Option*, a book published today which traces the clandestine development of nuclear weapons by Israel and claims Israel now has more than 300 weapons in its nuclear arsenal, including many said to have been targeted on the Soviet Union since the late 1970s.

The number of weapons in Israel's nuclear arsenal is treble the level estimated by US intelligence and is said, in the book, to include many low-yield neutron bombs capable of destroying troops with minimal property damage.

The allegation concerning Mr Shamir's decision to make a secret overture to Moscow in the mid-1980s by sharing stolen US intelligence information is by far the most sensitive, given that Israel and the Soviet Union only last Friday restored diplomatic relations and in the light of the approaching Middle East peace conference.

Mr Hersh interviewed dozens of former US and Israeli government officials and intelligence agents for the book and cites two Israeli sources for the Shamir allegation. One of the sources is Mr Ari Ben-Menashe, a former Israeli intelligence official whose credibility has been questioned by the Bush administration.

In the book Mr Hersh writes: "Ben-Menashe's account might seem almost too startling to be believed, had it not been subsequently amplified by a second Israeli, who cannot be named. The Israeli said that Pollard material was sanitised and dictated to a secretary before being turned over to the Soviets. Some material was directly provided to Yevgeni M. Primakov, the Soviet foreign ministry specialist on the Middle East who met publicly and privately with Shamir."

Mr Hersh claims in The Samson Option that in 1986 the London Daily Mirror newspaper turned over to the Israeli embassy in London photographs of a secret Israeli nuclear weapons plant that had been taken by Mr Mordechai Vanunu, the former technician at the facility who was kidnapped by Mossad and taken to Israel to face trial, Alan Friedman writes.

Mr Vanunu's photographs and details of Israel's secret Dimona nuclear plant in the Negev desert were eventually disclosed in articles in the London Sunday Times in October 1986.

Mr Hersh writes that Mr Shamir's turning over of US intelligence information to the Soviets – which he says is widely known in leading political circles in Israel – stemmed from his belief that sharing information on US weapons systems was a means of balancing, or offsetting Israel's traditional reliance on the US.

Other allegations contained in The Samson Option include the claim that in the late 1970s Israel obtained sensitive US KH-11 satellite intelligence photos that it used to help target the Soviet Union as well as its Arab neighbours with nuclear missiles.

The book also claims that during the recent Gulf war, Israel responded to Iraq's Scud missile attacks by going on nuclear alert and deploying its own nuclear-armed mobile missile launchers to face Iraq. This, according to Mr Hersh, was the third time Israel has placed its forces on nuclear alert, the previous instances having occurred during the Yom Kippur war in 1973.

Mr Hersh claims that on the third day of the Yom Kippur war Israel threatened President Richard Nixon and his adviser, Mr Henry Kissinger, with the use of nuclear weapons to persuade Washington to send military supplies.

Mr Kissinger, who was the subject of a controversial earlier book by Mr Hersh, yesterday dismissed the allegation as "a fabrication without a shred of truth".

The book quotes Mr Herman Eilts, the former US ambassador to Egypt, as recalling that years after the Yom Kippur war Mr Kissinger expressed his concern that the Israelis might have been prepared to "go nuclear".

The book also claims that both Israeli and French cabinet ministers lied repeatedly to Presidents Eisenhower, Kennedy, Johnson, Nixon and Carter about Israel's secret desert nuclear weapons plant and the crucial role played by France in supplying technology and reactors.

The book concludes that Washington turned a blind eye to Israel's nuclear weapons project despite evidence that it had developed operational nuclear missiles by 1968.

At least 200 die in Indian quake

MORE than 500 people were feared killed yesterday by a powerful earthquake that rocked the Himalayan foothills in India's northern state of Uttar Pradesh, officials said, Reuter reports from Lucknow.

"We have confirmation of at least 200 deaths. But our fear is that more than 500 people may have died," state revenue minister Mr Brahmadatt Dwivedi said.

He said more than 1,000 people were injured in devastation spread over 400 villages in the Uttarkashi district of the state.

"We have asked for the army's help and helicopters," Mr Dwivedi said. "It is very difficult to reach the remote villages."

***The tremor, measuring 6.1* on the Richter scale, cut most communications with the region.**

Officials said the earthquake caused landslides at several places, blocking roads and even changing the course of the Bhagirathi river flowing from the upper Himalayan reaches. They said landslides blocking the river could cause flash floods and obstruct rescue work.

A bridge on the river collapsed, cutting off the only road link between the stricken area and the rest of the state.

The officials said a hydro-electric power supply unit in Uttarkashi was also badly hit, and there was no electricity in the area.

The state information secretary, Mr Nripendra Mishra, said a 100-km stretch between Uttarkashi and the Hindu pilgrim centre of Gangotri was devastated by the earthquake.

"Our worry is how to reach the rescue workers there," Mr Mishra said. Uttarkashi, about 2,200 metres feet) above sea level, is 450km north of the state capital, Lucknow.

Big growth seen in sales of cars with air-conditioning

By John Griffiths

WEST EUROPEAN sales of cars fitted with air-conditioning will nearly triple by 1995 to 2.4m, or around one-fifth of all new cars sold, according to a forecast from motor industry consultants PRS.

By the end of the decade, 35-40 per cent of all new cars sold in Europe will be air-conditioned, with production reaching 5.5m annually, the forecast concludes.

This compares with 940,000 sales and 1.6m production last year. The production figure is higher because of the high level of exports by European car makers to countries such as the US, where air-conditioning is virtually standard.

The forecast, in PRS' weekly World Automotive Industry Bulletin, helps explain the decision by Nippondenso, Japan's largest vehicle components maker, to set up a £65m joint venture with Fiat components subsidiary Magneti Marelli to make air-conditioning systems which is now on stream at Telford in the UK and which eventually is expected to produce up to 500,000 units a year.

Support for PRS' view that air-conditioning represents one of the few motor component systems poised for very rapid growth – and one of the most valuable in terms of unit cost – is also provided by statistics from Ford's heating and air conditioning subsidiary, Ford Climate Control Operations.

They show that Ford's own fitment of air-conditioning to its European cars rose by 56 per cent last year, to 64,000 compared with 41,000 in 1989, despite an overall 4 per cent fall in vehicle output.

"Growth of this sort is not untypical and has been reported by other volume manufacturers in Europe," observes PRS.

Currently, car makers charge a minimum of £800 for air-conditioning as an option, and more typically around £1,100. Even though this would diminish as economies of scale increase, production levels envisaged in the PRS forecast underscore the prospect of "a/c" being one of the most lucrative sources of new business for successful would-be suppliers to emerge in recent years.

Higher-than-average summer temperatures and humidity, wider availability of a/c fitments and a growing consumer demand for comfort and safety fitments instead of higher performance are all contributing to growth, according to PRS.

Crowds clash with police as Yemen's troubles grow

RIOTS in Sanaa, capital of Yemen, left up to nine people dead at the weekend when crowds clashed with riot police after an army officer shot dead a traffic policeman, writes Eric Watkins in Sanaa. Police armed with automatic weapons, clubs and teargas took three hours to restore order after the incident, in which the army officer, called back by the traffic policeman, drew a gun and killed him.

Recent violence is seen by diplomats as symptomatic of growing frustration in Yemen, which has suffered severe economic problems since the Gulf war. Saudi Arabia expelled almost 1m Yemeni workers during the Gulf crisis.

NEWS IN BRIEF

$62m IADB loan to Venezuela approved

THE Inter-American Development Bank (IDB) has approved a $62.5m (£36.3m) loan to the government of Venezuela for projects in reforestation and the expansion of existing commercial forest plantations, writes Joe Mann in Caracas

Venezuela, which currently has a $250m-a-year deficit in its trade balance for forest products, wants to reduce its dependence on wood imports and to grow new forests.

The IDB loan is for 20 years and carries a variable interest rate which starts at 7.89 per cent per annum.

● Venezuela's international monetary reserves (including gold) stand at around $12.3bn, up 6 per cent from $11.6bn at the end of 1990, according to the Central Bank of Venezuela.

Pakistan may seek IMF aid

Pakistan may consider seeking further International Monetary Fund assistance, according to the finance minister, Mr Sartaj Aziz. Pakistani officials are preparing for a three-day visit by Mr Michael Camdessus, managing director of the IMF, who is arriving this week, writes Farhan Bokhari in Islamabad.

Garcia's immunity lifted

Peruvian constitutional history was made at the weekend when the Senate voted to lift ex-President Alan Garcia's parliamentary immunity and send him for trial as an ordinary citizen, writes Sally Bowen in Lima.

Provided the attorney general's office ratifies the accusation, Mr Garcia's case will be heard in the Supreme Court.

Charges against Mr Garcia of "illicit enrichment" over 14 years of public life have already been investigated by a congressional commission and aired in both houses. They centre on alleged disparities between income and expenditure and have involved the ex-president in a wrangle over the price of bricks for his relatively modest beach house and apparently undeclared payments he received as a professor 10 years ago.

Mobutu wants to sack rival

Zaire's President Mobutu Sese Seko said yesterday he wanted to sack prime minister Etienne Tshisekedi and replace him with another candidate named by opposition parties, Reuter reports from Kinshasa.

"I'm the one who named him against my better judgemnt," the 61-year-old president told a group of supporters aboard the presidential yacht Kamanyola moored near the riot-devastated capital Kinshasa. "For me he is no longer the one. I will ask the opposition to name another person."

Call for environment watchdog

A UN-sponsored report published today calls for the creation of an international watchdog organisation to investigate environmental abuses around the world, Reuter reports from London. The report, called Caring for the Earth – A Strategy For Sustainable Living, took three years to prepare and is published jointly by the UN Environmental Programme, the World Conservation Union and the World Wide Fund for Nature.

It recommends that the organisation should be established by 1993 and that 50 per cent of all countries should adopt environmental codes by the year 2000.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	275.8	−136.8	−125.5	0.7891	96.9
1985	279.8	−174.2	−160.5	0.7623	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2
1987	220.2	−131.8	−138.8	1.1541	70.3
1988	272.5	−100.2	−106.7	1.1833	66.0
1989	330.2	−99.3	−96.5	1.1017	69.4
1990	308.8	−79.8	−72.3	1.2745	65.1
3rd qtr.1990	74.6	−21.3	−18.4	1.2990	64.1
4th qtr.1990	74.2	−18.8	−17.1	1.3714	60.8
1st qtr.1991	75.7	−12.6	7.8	1.3435	61.8
2nd qtr.1991	89.3	−11.0	2.5	1.1849	66.4
September 1990	24.5	−6.9	n.a.	1.3154	63.0
October	25.5	−7.3	n.a.	1.3566	60.9
November	24.2	−6.9	n.a.	1.3861	60.2
December	24.5	−4.6	n.a.	1.3716	61.2
January 1991	25.1	−5.4	n.a.	1.3627	61.2
February	24.2	−4.0	n.a.	1.3899	60.2
March	26.6	−3.2	n.a.	1.2779	63.9
April	29.5	−3.7	n.a.	1.2091	65.6
May	29.6	−4.0	n.a.	1.1927	66.0
June	30.3	−3.3	n.a.	1.1531	67.6
July	30.6	−5.2	n.a.	1.1505	67.6
August	29.0	−5.7	n.a.	1.1763	66.6

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	213.8	58.7	44.1	187.03	97.9
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.8	165.11	124.4
1987	197.3	86.1	75.2	166.58	133.2
1988	219.8	80.7	66.5	151.51	147.3
1989	245.3	70.5	52.8	151.87	141.9
1990	219.9	49.8	28.1	183.94	126.0
3rd qtr.1990	54.3	12.7	5.4	188.36	123.7
4th qtr.1990	55.4	12.2	4.7	179.38	133.8
1st qtr.1991	58.3	17.2	13.2	179.61	132.1
2nd qtr.1991	61.0	19.5	15.8	163.84	135.9
September 1990	18.4	4.2	1.7	182.40	128.5
October	18.5	4.1	1.9	175.95	135.6
November	18.5	4.1	1.8	178.84	134.8
December	18.4	4.0	1.0	183.34	130.9
January 1991	18.8	5.3	2.8	182.13	131.1
February	18.4	5.3	4.2	181.25	133.2
March	21.2	6.7	6.2	175.44	132.0
April	18.7	6.5	6.4	165.79	135.7
May	20.9	5.9	4.9	164.84	135.4
June	21.5	7.1	4.5	160.89	136.6
July	21.4	7.1	4.1	158.49	138.8
August	21.7	8.2	6.0	160.93	138.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	*218.3*	*24.2*	*12.5*	*2.2387*	*100.0*
1985	*242.8*	*33.3*	*21.7*	*2.2259*	*100.0*
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*
1987	*254.2*	*56.7*	*39.8*	*2.0712*	*115.3*
1988	*272.6*	*61.7*	*42.8*	*2.0739*	*114.6*
1989	*310.2*	*65.3*	*52.0*	*2.0681*	*113.5*
1990	324.2	51.4	37.7	2.0538	119.1
3rd qtr.1990	82.1	12.4	7.2	2.0682	118.6
4th qtr.1990	82.5	7.2	6.2	2.0589	120.0
1st qtr.1991	81.9	3.4	−4.5	2.0562	119.8
2nd qtr.1991	78.4	−0.3	−5.2	2.0557	116.2
September 1990	27.4	3.8	3.2	2.0655	118.7
October	28.1	4.5	3.3	2.0679	119.0
November	27.8	1.5	0.8	2.0583	120.2
December	26.5	1.3	2.1	2.0506	120.8
January 1991	28.4	0.7	−1.0	2.0562	120.2
February	26.7	1.4	−0.7	2.0570	120.7
March	28.9	1.3	−2.8	2.0554	118.6
April	25.1	0.4	−1.2	2.0604	116.4
May	27.3	−0.7	−2.2	2.0526	116.3
June	28.0	−0.0	−1.8	2.0541	115.8
July	27.4	−0.1	−2.8	2.0622	115.8
August			−1.6	2.0518	116.5

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	123.7	−3.6	−1.1	6.6715	99.1
1985	133.4	−4.5	−0.2	6.7941	100.0
1986	127.1	−0.1	3.0	6.7946	102.8
1987	128.3	−4.5	−3.6	6.9257	103.0
1988	141.8	−4.6	−3.4	7.0354	100.8
1989	162.9	−6.4	−3.6	7.0169	99.8
1990	171.2	−6.0	−5.4	6.9203	104.8
3rd qtr.1990	41.9	−2.8	−2.7	6.9345	104.9
4th qtr.1990	43.5	−1.1	−1.0	6.9400	105.6
1st qtr.1991	42.3	−2.0	−2.8	6.9940	104.3
2nd qtr.1991	43.2	−1.1	−0.6	6.9621	102.0
September 1990	13.8	−1.38	−1.40	6.9178	105.3
October	14.8	−0.80	−0.42	6.9255	105.5
November	14.5	−0.17	0.16	6.9299	105.8
December	14.3	−0.16	−0.78	6.9645	105.3
January 1991	14.5	−0.82	−0.45	6.9853	104.7
February	13.9	−0.49	−1.54	7.0016	104.8
March	13.9	−0.70	−0.84	6.9951	103.2
April	14.7	−0.26	−0.60	6.9606	102.4
May	14.2	−0.30	0.27	6.9574	102.0
June	14.2	−0.55	−0.28	6.9683	101.5
July	15.2	−0.57	−0.68	6.9670	101.4
August	14.5	−0.54		6.9724	101.8

ITALY

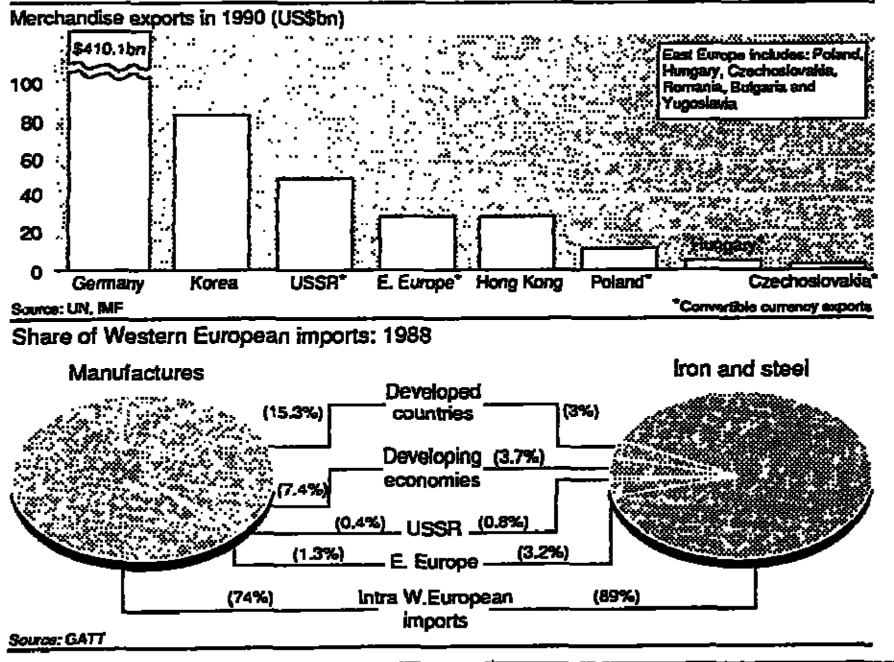
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	93.4	−13.9	−5.2	1381.5	105.9
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.9	1523.2	100.6
3rd qtr.1990	31.2	0.2	−2.2	1527.8	100.7
4th qtr.1990	35.8	−2.0	−7.7	1547.5	99.8
1st qtr.1991	32.4	−4.2	−8.0	1540.8	100.1
2nd qtr.1991	35.4	−3.4	−5.8	1525.3	98.6
September 1990	10.7	−1.2	−1.2	1542.5	99.7
October	12.4	−1.0	−2.7	1549.3	99.4
November	10.9	−2.4	−2.1	1547.4	99.9
December	12.5	1.3	−3.0	1545.6	100.1
January 1991	9.9	−3.2	−3.4	1545.8	100.0
February	11.3	−0.6	−2.8	1543.5	100.5
March	11.1	−0.4	−1.9	1533.1	99.8
April	11.4	−1.5	−2.7	1526.3	98.9
May	11.3	−2.1	−0.8	1522.9	98.7
June	12.7	0.3	−2.4	1526.6	98.2
July	13.3	0.1	−2.2	1528.7	97.9
August	7.5	0.2	−0.4	1533.6	98.0

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	118.9	−9.0	3.1	0.5908	100.6
1985	132.4	−5.7	4.7	0.5891	100.0
1986	108.3	−14.2	−0.3	0.6708	91.5
1987	112.3	−16.4	−5.9	0.7047	90.1
1988	120.9	−32.5	−23.4	0.6643	95.5
1989	137.3	−36.6	−30.3	0.6728	92.8
1990	142.7	−28.1	−20.1	0.7150	91.3
3rd qtr.1990	36.3	−5.8	−3.2	0.6976	94.2
4th qtr.1990	36.5	−4.5	−2.7	0.7050	94.1
1st qtr.1991	35.5	−4.3	−3.7	0.7040	93.8
2nd qtr.1991	37.6	−3.0	−1.1	0.6942	91.4
1990 September	12.6	−1.1	−0.24	0.7002	93.8
October	12.4	−1.7	−1.12	0.6974	94.8
November	12.3	−1.5	−0.87	0.7055	94.2
December	11.8	−1.3	−0.71	0.7123	93.3
1991 January	11.7	−1.9	−1.72	0.7043	94.1
February	11.7	−1.1	−0.91	0.7071	94.3
March	12.0	−1.3	−1.06	0.7005	92.9
April	12.2	−1.2	−0.56	0.6917	92.3
May	12.3	−1.3	−0.69	0.6926	91.7
June	13.0	−0.5	0.14	0.6984	90.2
July	12.7	−0.9	−0.58	0.6982	90.3
August	13.0	−1.1	−0.78	0.6990	90.7

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

East European trade with market economies



The non-existent threat of eastern European trade

JUDGED by its decidedly timid approach to the negotiation of new association agreements, the European Community is terrified of being flooded by imports from the post-communist countries of eastern and central Europe. If so, the EC is indulging in paranoia. The adjustments required even by completely free access to its markets would be trivial.

As the chart shows, the convertible currency exports of the Soviet Union in the 1990s were only about 60 per cent of those of the Republic of Korea, while those of the six countries of eastern and central Europe were, taken together, the same as those of tiny Hong Kong (even excluding its re-exports). Meanwhile, the exports of a real giant, Germany, were five times as large as the convertible currency exports of the Soviet Union and the six countries of eastern and central Europe taken together.

It is difficult to believe that such minnows could discommode the western whale. This conclusion is supported by a careful analysis from Mr Richard Blackhurst*, director of economic research at the Gatt, presented at a conference organised by the Kiel Institute of World Economics last June.

Mr Blackhurst notes that the three countries furthest ahead with economic reform – the Czech and Slovak Federal Republic (CSFR), Hungary and Poland – had a combined share of world trade in 1988 below that of Hong Kong, the Republic of Korea, Singapore and Taiwan back in 1970. Since then the share of the four Asian "tigers" in world trade has increased four-fold, a development that has created no more than minor difficulty in world trade.

As their closest developed neighbours, the countries of western Europe are, indeed, the most likely to feel the impact of any export expansion from eastern and central Europe. But once again, a sense of proportion is needed. Mr Blackhurst notes that 74 per cent of the manufactured imports of western European countries in 1988 came from one another, while just 1.3 per cent were from eastern and central Europe (even including East Germany). A 10 per cent increase in trade in manufactures within western Europe, something that should take less than two years, is equivalent to a six-fold increase in imports of manufactures from eastern and central Europe, a task for decades.

It may be objected that imports within western Europe entail equivalent exports, which are bound to make adjustment easier. But imports from eastern Europe will mean the same thing. Given the likely effects of export expansion on their creditworthiness and their need for high-quality investment as well, exports from central and eastern Europe are likely to generate at least as large a flow in the other direction.

The only sense that can be made of EC unease is that it is more narrowly focused. The concern is about agriculture, clothing, and iron and steel. Yet even these worries are exaggerated.

Only 3.2 per cent of western Europe's imports of iron and steel (including internal trade) came from eastern and central Europe (including eastern Germany) in 1988. Another 0.8 per cent was from the Soviet Union. Excluding trade within western Europe, the shares were 29.3 and 7 per cent, respectively. Meanwhile, in a table in which Mr Blackhurst highlights sub-categories where eastern and central Europe and the Soviet Union accounted either for more than 5 per cent of western Europe's total imports or for more than 10 per cent of its imports *from outside western Europe, neither* food nor clothing appear.

It is difficult to understand (or forgive) the EC's reluctance to give its neighbours what they so evidently need: free access to EC markets. That need has been made far greater by the almost total collapse of trade amongst the former communist countries, which used to account for about half their total trade. If these countries do not soon find alternative markets in the west, their attempts at reform may be doomed. The consequences of that are likely to be far more uncomfortable for western Europe than any adjustment required by free trade.

Martin Wolf

**Richard Blackhurst, Implications of the Changes in Eastern Europe for the World Economy.*

WE DON'T LINE OUR BOOTS WITH FUR. WE LINE OUR BOOTS WITH BOOT.

Have you any idea what happens to the body at 20° or 30° below?

The blood thickens. The brain slows. Your concentration lapses. Energy can drain from you faster than water from an emptying tub.

Of course, the body doesn't take this kind of treatment lying down.

Something called a neuro vascular impulse shunts blood away from your extremities to vital organs like the heart, kidneys and liver.

Which is very clever of it.

Except that a lot of people regard their extremities as pretty vital too.

Particularly their feet.

At Timberland, we make our living making boots and shoes for people who enjoy the great outdoors.

Which, as you can imagine, becomes the *not-so great-outdoors when winter sets in.*

So how do we protect our customer's feet from the body's natural desire to leave them in the lurch every time there's a cold snap?

We use every material known to man (and some known only to Timberland) to build boots that can withstand the worst conditions on earth.

Let's start with the inside of the boot. It is, after all, where your feet spend all their time.

Other manufacturers think that merely by lining a boot with a fake fur they can convince you that your feet will be warm and cosy.

We know better.

Which is why inside our boots the toes are protected by Ensolite.

And the shaft, tongue and quarter are insulated with B-400 Thinsulate.

So efficient are these man-made fabrics that we can afford to pamper your feet a little.

The linings and cushioned insoles are made from soft glove leather. Or high performance Cambrelle.

Likewise the collars you'll find on many of our boots.

Aside from providing extra comfort, these padded collars follow the form of your ankle to help stop the elements sneaking in.

Keeping the cold air out and the hot air in could have the effect of 'cooking' your feet.

To prevent this, we often drop in a bootie made from Gore-Tex.

This remarkable man-made fibre has 9 billion pores per square inch, each one 20,000 times smaller than a raindrop but 700 times larger than a molecule of perspiration.

As a result, our boots get an extra layer of waterproofing and your feet can breathe more easily.

Even so, any foot couped up in one of our *boots is bound to sweat a little.*

So to absorb any perspiration, some of our boots are fitted with a special removable polypropylene insole.

Perhaps because Timberlands come from *the rainy State of New Hampshire, we set a lot* of store by things that keep feet dry.

For example, all the important seams on our boots are stitched using no less than four rows of nylon stitching. We then tape seal them with latex *to make sure that whatever* happens water cannot infiltrate the boot.

Our determination to stave off the elements doesn't stop there.

To seal the inside of the boot from the outside world, we use soles made from a lightweight dual-density polyurethane. Or another highly resistant substance called Vibram EVA.

These soles are then permanently bonded to the uppers utilising one of Timberland's many patented processes.

We even add a fibre glass shank along the base of the boot for extra strength.

However good we are at lining the inside of our boots, it would all come to nothing if the outside wasn't up to scratch.

So we comb the country in search of *tanneries that understand the importance* we attach to the well-being of your feet.

A task made harder by the fact that we're not just picky, we're plain contrary.

We want leathers that are tough yet soft. Strong yet supple. Long-lasting but good-looking. A tall order, we know.

But we rarely come back empty-handed.

Once in the workshops, the leathers are impregnated with silicone.

This prevents them drying or cracking with age. It also stops water seeping through.

(There we go again.)

We also subject them to a machine called a Maser Flex, which tests waterproof leathers. Ours withstand 15,000 flexes, equal to the highest standards demanded by the US Military.

The same mentality that puts fake fur inside a boot can be counted on to compromise in other ways too.

Not us.

We dye our leathers right through so the colours won't scuff or flake off even after years of regular use.

We use solid brass eyelets. And D-rings made from stainless steel. Neither of them rusts, it's as simple as that.

Laces are made from self-oiling raw hide for extra flexibility. Or premium grade nylon when greater strength is required.

Nothing is over-looked in our desire to build a comfortable, long-lasting boot that protects your feet from the cold.

You may never experience temperatures as low as 20° or 30° below.

But if your feet are soaking wet and numb, who's counting?

Timberland

This advertisement was created by Leagas Delaney.

THE INSIDE of a boot is hardly the most promising of subjects. But this advertisement got you into it. Notice also how effortlessly it dispels our assumption that feet are better off in fur. This is what the written word can do. It builds bridges between products and people. Gets the message over fast and effectively. Timberland shoes used to be cultish. One newspaper campaign later, their name is on everyone's feet. Take a big step forward. Advertise in the newspapers.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

INTERNATIONAL NEWS

Yeltsin may be planning reforms for Russia alone

By Leyla Boulton in Moscow

MR Boris Yeltsin, the Russian president, is apparently preparing to conduct economic reform in isolation in case the treaty for an economic community, signed last Friday, fails.

A recent newspaper cartoon depicted Russia as a skeletal patient who, despite being desperately ill, is joyfully cutting away his life support equipment. It sums up the dilemma facing the biggest Soviet republic as it embarks on negotiations to create an economic union out of the former Soviet Union. Russia is also at risk if it tries to jump out of the rotting old union, leaving other republics to hang on to its coat-tails if they can.

The economic union treaty, signed by eight of the 12 Soviet republics, spells out an inspiring list of steps to allow co-ordinated market reform and financial stabilisation. The project's authors hope separate agreements spelling out the details will be agreed by the republics within three months.

But Mr Yeltsin, who at the signing ceremony recalled that republics had already broken previous economic agreements, has promised he would be launching price reform and other radical steps as soon as he appointed a new government this week.

"We will need to endure for half a year and then there will be stabilisation like in Poland," he said in a TV interview last week, in which he suggested he would be freeing prices in a matter of days.

But his economics minister, Mr Yevgeny Saburov, said no specific plans for price reform have been worked out. Other economists, such as Prof Yevgeny Yasin, say freeing prices without creating a mechanism for macroeconomic stabilisation, as set out in the treaty, would be just an "adventure".

Mr Yeltsin, anxious to deliver results in the face of public impatience 100 days into his presidency, may surprise the country again. The government he names will be a pointer to his plans for surviving what he has warned will a harsh winter for his voters.

Highlights of the economic pact

These are highlights of the treaty for an economic community signed by eight republics in Moscow on Friday:

- Members are "independent states that either are or were subjects of the Union of Soviet Socialist Republics. . . seeking to effect radical economic reforms and considering the common nature of problems confronting the states. . . realising the advantages of economic integration";
- Members are to conduct co-ordinated policies in transport, energy, the monetary and banking system, finances, taxation and prices; customs rules and tariffs, foreign economic relations;
- States recognise that "private ownership, free enterprise and competition form the basis for economic recovery";
- States allow free movement of labour, same legal conditions for businesses of other members states as for their own nationals; restrictions on movement of goods and services are to be lifted within an "agreed period of time";
- States "recognise that concerted monetary and credit policies are of priority importance to finding a way out of the crisis and controlling inflation" and "realise the need to preserve and strengthen the rouble as the common currency of a single monetary system; may introduce their own national currencies if they meet conditions ruling out harm to the community's monetary system; these conditions shall be specified in separate agreement; immediate aim of community is internally convertible rouble";
- Economic community is to set up, "on the principles of a reserve system, a banking union including the central banks of member states" and to establish an inter-state bank for issuing money, as well as banking inspectorate with equal representation for republics to monitor banking union's implementation of charter; pending adoption of charter, a provisional board of Gosbank USSR and republican central banks to run central banking system;
- Community establishes limits for member states' budget deficits; sums exceeding these limits will be registered as debt to other member states; a community budget, to be formed by fixed payments from members, cannot be in deficit;
- Community, being a "legal successor to all foreign economic commitments of the USSR, and equally to other countries' commitments to USSR, guarantees their fulfilment"; establishes bank which is legal successor to Vneshekonombank to handle debt repayments; sorts out share of former and present members of USSR of the foreign debt burden; member states recognise need to establish a "single procedure for accumulating hard currency receipts to service foreign debt";
- Customs policy towards third countries to be co-ordinated, but member states independently to regulate foreign economic activity and establish licences and quotas within the limits of overall quotas;
- Member states agree on joint membership of International Monetary Fund but may seek individual membership;
- 25 detailed agreements to be negotiated to spell out details in areas including: "Status and powers of community institutions; these are to include a council of heads of government; an executive inter-state economic committee, whose chairman will be appointed by heads of government; a court of arbitration; banking union regulations, principles and mechanisms for servicing community's foreign debt; the community budget; co-ordinated price reform; list of goods whose prices remain fixed at agreed levels in a transition period.

The treaty provides for associate membership, with terms determined on a case-by-case basis by the community, whose agreement is needed for accepting new full members.

Ukraine lays foundations for independence

Kiev's confidence stems largely from its economic strengths, writes Chrystia Freeland

CHIP by chip, the Lenin statue in downtown Kiev is being dismantled. One day the head was gone, then the shoulders. Today, workers are hacking away at the navel.

In the same incremental fashion, the Ukraine is inching towards independence. Just as Lenin will eventually disappear altogether from the recently renamed Independence Square, the Ukraine's days in the union are numbered, even though President Mikhail Gorbachev still says he cannot imagine a union without the Ukraine.

Today, when the reconstituted Supreme Soviet, the only remaining legislative structure of the Soviet Union, will hold its inaugural meeting in Moscow, the Ukraine, the second largest republic, will not participate because its parliament is deadlocked on the issue of sending a delegation to the centre.

In fact, only seven of the remaining 12 republics will be sending delegates to what will be little more than a lame-duck parliament.

Last week, the Ukraine shunned a treaty to form an economic community. Ukrainian leaders, whose republic accounts for 46 per cent of Soviet agricultural output and a quarter of its industrial production, said they wanted to participate in a multilateral economic deal, but that they would not compromise on the right to have a separate currency or their opposition to the creation of central governing organs.

Two weeks ago, the Ukraine claimed authority over all 1.5m Soviet soldiers stationed on its territory and announced its intention to form a 450,000-strong Ukrainian army. This week, parliament is scheduled to vote on a dozen laws which would put these plans into action.

In the political, economic and military arenas, the republic, which was a cornerstone of the Soviet Union and the Russian empire before it, is laying the foundations for independence.

But whereas other separatist republics want to evict the foreign Soviet presence, Ukrainians want to take a chunk of the Soviet Union with them.

While the Baltics negotiate for the withdrawal of the army, the Ukrainians are taking over a huge part of it.

If the Ukraine goes, what is left of the Soviet Union will be neither a superpower, nor even perhaps a European power. The Ukraine will take the Soviet Union's borders with

Whereas other separatist republics want to evict the foreign Soviet presence, Ukrainians want to take a chunk of the Soviet Union with them

four eastern European countries and much of its Black Sea coast, though Russia has no plans to let go the Crimean Peninsula ceded to the Ukraine by former Soviet leader Nikita Khrushchev.

But the Ukrainians are often intentionally ambiguous. Afraid of alienating the Russified and populist eastern Ukraine before the December 1 referendum on independence, the Ukrainian government is sending mixed public messages, even as it builds the institutional framework for sovereignty.

Some Ukrainian officials were still claiming at the weekend that it was just a matter of time before the Ukraine signed the economic union treaty. Within government circles, however, the move to independence seems unstoppable. Ukrainian leaders, whose job long consisted of implementing

plans made in Moscow, have a new, irresistible vision of themselves as autonomous, respected members of the world community.

The principal theme after the return of Ukrainian government heads from a whirlwind international tour, as expounded by Mr Leonid Kravchuk, the leader, was: "The world is waiting for the appearance on the world stage of a full blooded, full-fledged state called Ukraine."

A good part of the Ukraine's self-confidence is based on economics. Ukrainians, who proudly contrast their nearly-balanced budget with Russian President Boris Yeltsin's growing deficit, believe a separate Ukrainian currency, to be called the hryenia and initially printed in Canada, will be more solid than the rouble.

The Ukraine's agricultural wealth, 60 per cent of the Soviet Union's sugar, and a quarter of the beef, gives it a strong bargaining position in the Soviet Union's shortage-plagued economy.

Energy is the Ukraine's economic Achilles heel, but republican leaders believe that whatever the political relation between Russia and the Ukraine, Russia will soon demand world prices for its oil.

In preparation, the Ukraine has laid in a cushion of 8m tonnes of coal and has cut out the Moscow middleman in its electricity sales to eastern Europe, which were worth $1.2m (£690,000) last year.

It will be harder to sever the spiritual ties between the Ukraine and Russia. While dismantling Soviet statues with uniform public approval, a conflict is raging in Kiev over an older monument.

Fist fights and hunger strikes have been provoked over whether the St Sofia Cathedral, the holiest church for orthodox Slavs, should go to the pro-independence autocephalous orthodox church, or to the rival pro-union congregation.

EC, Efta face their last chance today

By David Buchan in Brussels

VIRTUALLY the last chance for the EC and the European Free Trade Association (Efta) to create a common 19-nation economic zone will come today when ministers meet in Luxembourg to try to close their remaining differences on fish, road transit and money.

The outstanding issues are trivial in relation to the prospect of creating the European Economic Area (EEA) comprising some 380m consumers.

This would involve the seven Efta states putting some 10,000 pages of EC single market legislation onto their national statute books, copying Brussels in establishing supra-national control of cartel and state aid activities, and setting up joint political bodies with the EC to run the EEA.

The Dutch and Finnish governments, the current respective presidents of the EC and Efta, are aiming at a breakthrough tonight on the fish, transit and money disputes, even though there is no final overall agreement yet ready for signature.

However, if the impasse continues tonight, it will almost certainly consign the EEA negotiations to oblivion for at least the rest of this year, if not for good.

The Dutch government already has more than enough on its presidential plate in trying to steer the Twelve to political and monetary union, while several Efta states have dramatically shown their impatience by applying for full EC membership.

Finland is next spring expected to follow Austria and Sweden in bidding to join the EC club.

Today's negotiation kicks off with a meeting of EC transport ministers, who will be asked to approve a road transit compromise that the Dutch presidency and the Commission have reached with Austria and Switzerland.

But Greece is threatening to block this deal which would apparently only allow a truck of more than 28 tonnes weight on Swiss roads if it was new, carried perishable cargo and could not be carried on a rail-car.

The fish and money disputes are essentially north-south conflicts.

In return for allowing Efta's highly competitive industry free access, through the EEA, to their market, Spain and Portugal have been demanding more access for their trawlers to Efta fishing waters, and a "cohesion" fund from Efta to help develop poorer regions of the EC such as Iberia.

Any solution is likely to include a trade-off, with Spain and Portugal demanding more money if they get less fish, and vice versa.

Since Iceland flatly refuses to give the EC more access to the fishing industry on which 80 per cent of its economy depends, everyone has been looking to Norway for concessions.

But Norway still only seems ready to offer less than half what Spain and Portugal demand.

The issue is further complicated by the insistence of the UK, Ireland and, to some extent, France, that their fish-farmers should not face totally free competition inside the EC from Efta fish products.

Confusion over who makes energy policy

THE second full session of talks on the European energy charter begins tomorrow, amid confusion about who is responsible for energy policy in the Soviet Union, the most important country involved in the talks, Andrew Hill reports from Brussels.

A main aim is to help the Soviet Union exploit its resources, but the 34 other participants are said to be unclear about whether to talk to the national government or the republics. The first session took place in July. In working groups since, the Soviet delegation has been fronted by the national government, along with representatives of individual republics. Officials are meeting today to continue work on drafting the charter, due for signing in December.

INTERNATIONAL NEWS

France and Germany seek to curb rise in health spending

By William Dawkins and David Goodhart

THE FRENCH and German governments are coming under intensified pressure to rein back burgeoning health spending, reflecting serious setbacks to efforts to bring expenditure under better control during the past few years.

The French government and its state health assurance agencies will over the next month negotiate new health spending controls with medical unions in the latest attempt to cut back the shortfall on the overall social security budget. This is due to rise from FFr23bn (£2.32bn) this year to FFr26.4bn next, according to the latest report by the social security accounting commmission.

In Germany, where efforts in the late 1980s to increase financial discipline in hospitals are now recognised to have largely failed, the health insurance funds will this year again show a deficit of about DM5bn (£1.72bn), after surpluses for the past two years. Contributions to the funds – currently averaging about 12.2 per cent of wages, *half* paid by *employers* – *will* probably have to be increased in 1993.

The ageing population and sharp increases in the costs of medical care have put great strain on both countries' social security budgets. In the French social security budget, health care alone accounts for an expected FFr11.4bn deficit this year, the biggest drain after pensions, where the shortfall is FFr18.4bn.

Medicine consumption in France is among the highest per head in the world.

The state's three health assurance agencies and the government are planning to set an annual ceiling on the growth in health spending – already estimated to rise 7.1 per cent this year and next - fol*lowing their talks with the medical professions.*

Options include negotiating or imposing ceilings on fees charged by doctors and hospitals and an attempt to set stricter criteria on what should count as state reimbursable health care.

The government has already cut 60 medicines from its list of drugs reimbursed by the state.

Belgrade black marketeer ends day in the red

By Laura Silber in Belgrade

TONI IS not a typical Yugoslav banker. He is one of the black marketeers, mostly ethnic Albanians and Slavic Moslems, who work in Belgrade, the Serbian and federal capital. He works late into the night, trading hard currency. He specialises in dollars and Austrian schillings.

The country's crisis has made business brisk for the traders after the failure of the economic reforms of Mr *Ante* Markovic, the federal prime minister. His attempt to introduce convertibility of the dinar nearly shut the black market.

Cars now queue up in the evening shadows of Francuska Street near Belgrade's central square where 25 Albanians have cornered the market in foreign currency trading.

"Stop by at around 11 in the morning, I'll have a better idea of the rate," says Toni. "But *it's only running about* 200 per cent, nobody has dinars left to sell."

Slovenes have been trying to get rid of their dinars, given the introduction of the new currency, the tolar. "People have been selling hard currency to buy cars before a price rise," says Toni, waving at a regular customer in a *black Mercedes taxi* whose driver pulls up to ask the selling rate of the D-Mark.

But the market is unpredict*able. Yesterday, Toni closed* "at a considerable loss".

Toni has worked on Francuska Street for 15 years. Racial tensions usually present between Albanians and Serbs are absent – this is strictly business.

Someone is on the lookout for the Belgrade police. "I have a cousin who was picked up *last Friday, he is still in* prison," says Toni. "The police took DM11,500 off him. They say the money goes into a *fund*, but I don't believe a word of it."

Aerospatiale, Alenia alter de Havilland takeover plan

By William Dawkins in Paris

AEROSPATIALE, the French aerospace group and Alenia, its Italian partner, are studying a partial takeover of de Havilland, the Canadian aircraft *group*, in *an attempt to satisfy* the European Commission's objections to a full bid.

The consortium is hoping to take a minority stake in de Havilland but does not yet know who would join them as the majority shareholder, said Mrs Elisabeth Guigou, France's European Affairs Minister.

The Commission vetoed plans for a full takeover, last month, arguing it would create *a near monopoly in the EC* market for small turbo-prop commuter aircraft. The decision, the first blockage of a cross-frontier takeover, was seen in France as unnecessarily strict. Aérospatiale and Alenia were planning a fresh offer the Commission should now be able to accept, said Mrs Guigou after last Friday's Franco-Italian summit.

The main options as majority shareholder were the Ontario government a consortium of financial institutions or another company, such as Bombardier, *Canadian* aerospace and transport group.

European coal industry faces black future without subsidies

By Juliet Sychrava

THE EUROPEAN MARKET

ON December 31, 1993, Europe's beleaguered coal industry faces another threat to its uncertain future – the day when the EC policy that provides a framework for coal industry subsidies expires.

If EC law is followed to the letter, that policy ought not to be replaced, according to Mr Christian Cleutinx, responsible for coal at the Commission's energy directorate, DG17. But when it comes to coal, letter and spirit have often diverged.

"Article 4C of the EC forbids *subsidies. But if there were no* subsidy, there would be no European coal. If we want the invisible hand of Adam Smith, this hand won't find any coal in the EC. Is this the policy we want?" said Mr Cleutinx.

EC coal – and that means essentially German, UK and Spanish coal – cannot compete with coal from Australia, the Americas and South Africa sold on the world market. In the UK, for example, British coal costs an average £47 per tonne. That, estimates National Power, one of the *UK's two big electricity* generators, is between £11 and £17 per tonne more expensive than most coal imported to the UK from Colombia, South Africa, or China.

Even so, UK coal is still the cheapest in Europe, where most producers charge well above the world market price. German coal costs around DM259 (£89) a tonne while the most expensive Spanish coal is considerably more than that, according to Mr Guy Doyle of International Coal Report. The world market price of coal in October is $41.94 (£23.70) per tonne according to International Coal Report.

Most European coal production is – directly or indirectly – protected from cheaper imports. The German coal *industry is supported by a levy* on all electricity consumers that costs central and state governments and consumers DM10bn (£3.43bn) a year. In Spain, a similar levy was Pta47bn (£256m) in 1987.

The UK has no official subsidy. But government contracts drawn up between British Coal and the electricity generators ensure that generators pay a premium price for British coal – until end-March 1993 when the contracts expire.

The generators might find it hard to replace UK coal with *an international product with*out driving the price up, even if they had the facilities to import that volume. However, the generators argue that they already have the port facilities to import close to 20m tonnes, and expansion plans mean that by the mid- to late-1990s, they should jointly be able to bring in closer to 40m tonnes. That, British Coal says, would be disastrous.

There was, it told the Commons Select Committee on Energy in July, "great unhappiness in the Community at the thought of a substantial reduction in European coal production...starting at the lowest cost end." But the EC's policy on *coal subsidies* is ambiguous. DG4, the competition directorate headed by Sir Leon Brittan, is engaged in a *battle with the German coal* industry over its DM10bn annual subsidy.

THe EC is taking legal action *against the Jahrhundertvertrag*, the contract between German coal producers and electricity generators which agrees a price to be subsidised by electricity consumers. Mr Jürgen Möllemann, the German economics minister, recently put forward proposals to reduce the amount of German coal production falling under the subsidy agreement.

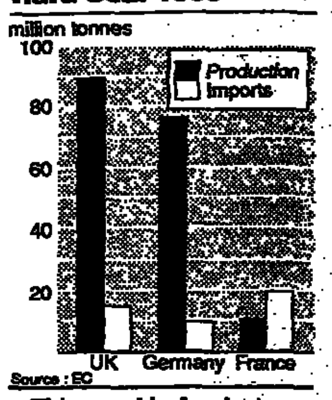
But this would take effect only after 1995, while the Commission would like far more energetic action, far sooner.

The energy commissioner, Mr Antonio Cardoso e Cunha, is known to be close to Sir Leon Brittan and a strong proponent of the free market. But *when the existing policy* on coal subsidies expires in 1993, he is unlikely to remove it totally, as Mr Christian Cleutinx points out. "There are 200,000 people in the European coal industry. Do you really believe that on January 1, 1994 they will all be out?"

There is a view within DG17 that EC coal should command a certain premium over the world market price, because, as DG17 said in a recent report: "the world price does not reflect criteria such as security of supplies."

How that premium would be paid is undecided. One working document from DG4 and DG17 proposes that member governments be allowed to make special provisions to support 20 per cent of their energy consumption. As the argument intensifies over coal subsidies, the technical question of the *supply security premium* could become a matter on which thousands of jobs in the industry will depend.

Hard Coal 1990



Source : EC

This would, for instance, allow the UK to continue subsidising the nuclear industry, which represents 20 per cent of the country's energy needs, through a levy on all electricity consumers.

But of the many possible ways to support coal one recommends a Reference Price, or Reference Price Band for European coal. Member states would be allowed to subsidise the difference between the world market price and their domestic coal industry cost – up to the set price or band of prices.

Conceived around three years ago, the proposal was recommended as a resolution in a report last month to the *European Parliament* by the Committee on Energy, Research and Technology. It has also won UK support.

The reference price usually mentioned is Ecu 90 (£63.27) per tonne. By no means official, this figure has been used as an internal benchmark by the EC in decisions on whether to help fund mining projects in Europe. So if the world price were Ecu 60, a subsidy of Ecu 30 would be allowed.

This would not fully cover costly German production, but DG17's main concern is that Europe's more expensive coal production closes before cheaper mines.

For the coal industry, some European support is more important now than ever. But the signs are not good. The EC's recent proposals for a carbon tax, to be introduced in 1993, which could amount to a charge of $15 per barrel of oil equivalent on coal by the year 2000, are, *according to sources* in DG17, likely to be adopted. That makes the industry's future look even more uncertain.

UK stores plan to break law on Sunday trading

By Robert Rice, Legal Correspondent

THE GOVERNMENT came under renewed pressure yesterday to introduce urgent reform of Sunday trading legislation as leaders of the big supermarket chains announced plans to break the law by opening on the two Sundays before Christmas.

The campaign, led by Sir Ian MacLaurin, chairman of Tesco, involves Sainsbury's, Safeway and Asda. It could result in as many as 2,600 stores opening on December 15 and 22.

The food chains said they were being forced to take this action because some competitors were already breaking the law and gaining an unfair advantage.

Gateway and Budgen both open their stores on Sundays in some parts of the country. In Scotland, where Sunday trading is not illegal, Safeway is believed to have made gains in sales of up to 27 per cent by opening on Sundays at 51 of its 52 stores.

The campaign drew strong criticism from Usdaw, the shop workers' union. Mr Garfield Davies, general secretary, said he was "appalled at the suggestion".

He urged Sir Patrick Mayhew, the attorney general, to step in quickly to prevent the supermarkets from going ahead with their plan.

The union said it would be seek meetings with the companies concerned.

An Usdaw official said it was wrong to ask supermarket workers to break the law.

While in the past there had been strong economic arguments for Sunday opening of department stores and gift shops before Christmas, in order to do more business, the same could hardly be said of supermarkets, according to the union official.

The Shopping Hours Reform Council, which has been campaigning for reform of the Sunday trading laws, said yesterday that it would not have been necessary for retailers to break the law if the government had acted promptly to reform the 1950 Shops Act, as it had promised to do.

The council said: "Retailers are caught between meeting the wishes of consumers and breaking an archaic law. The government should act now so retailers are not forced into breaking the law to meet the wishes of their customers."

CORRECTION

Mr Jack Dromey

THE FT reported on Saturday that Mr Jack Dromey, national secretary of the TGWU general union, had been replaced as chair of the union committee that negotiates pay for blue-collar workers in local government.

Mr Dromey wishes to make clear that he had simply completed his two-year term of office and that it was the turn of another union to take the chair. We apologise for any wrong impression given.

Government may abolish tax relief on private health

By Ralph Atkins and Alan Pike

THE abolition of tax relief on private health insurance for the elderly was signalled yesterday as the government intensifies efforts to regain confidence in its handling of the state-run National Health Service (NHS).

Mr William Waldegrave, health secretary, said the tax concession, introduced by the government as part of its 1989 health service reforms, had not worked. "It's expensive to administer and it hasn't really been taken up, I gather, very widely," he said.

The opposition Labour party swiftly derided his comments as a "retreat" from the policies of Mrs Margaret Thatcher, former prime minister. Mr Waldegrave will come under further pressure today when the Commons' debates the NHS.

A Harris opinion poll in yesterday's Observer newspaper showed Labour with a seven percentage point lead over the Tories, largely because of fears over the NHS. It suggested the Tories would have lost a November election.

Conservatives will try to regain ground today with the announcement of increases in excess of inflation in social security benefits for the most vulnerable pensioners – although the plans have already been dismissed as "marginal" by Mr Michael Meacher, Labour's social security spokesman.

Speaking on London Weekend Television, Mr Waldegrave insisted that the "public service ethos" of the NHS would be preserved – despite labour's claims that he wanted to privatise the service. But he wanted lessons to be learnt from the private sector.

The creation of an internal NHS market was not a right-wing ideology, he said, but had been proposed initially by Dr David Owen, former leader of the defunct Social Democratic Party. "It is, if you like, a social democratic idea. It is being imitated in Germany, France, New Zealand and in Sweden," Mr Waldegrave said.

Mr Waldegrave pledged there would be no further tax breaks for private health insurance, national health trusts would not be allowed to become private, and the proportion of NHS income raised from charges would remain at about 5 per cent.

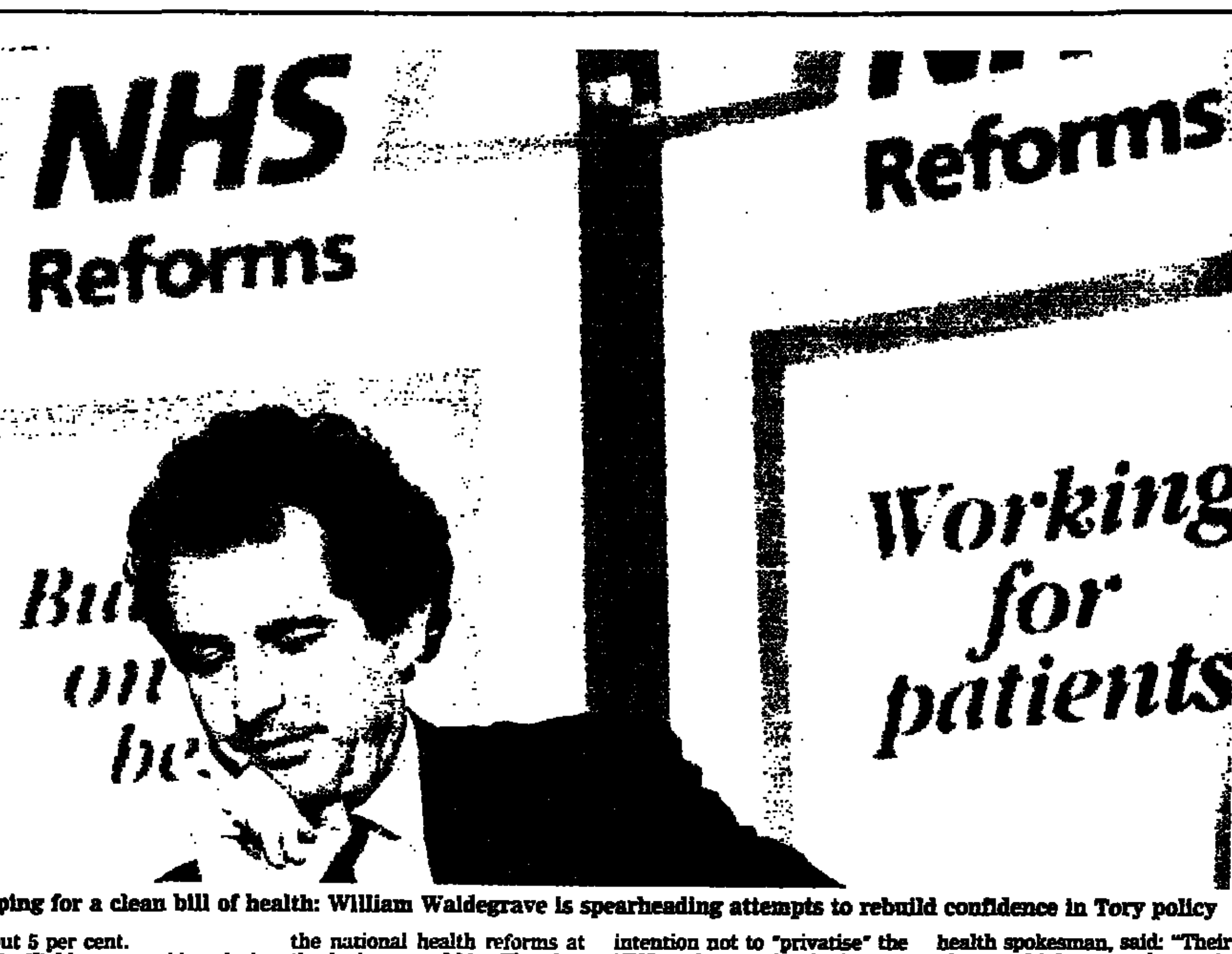
Mr Waldegrave said a decision to drop the tax relief on private health contribution by the elderly in next year's budget would have to be made by the Treasury. But he would not be surprised if it was.

The relief was included in the national health reforms at the insistence of Mrs Thatcher and against the wishes of Mr Kenneth Clarke, the then health secretary, and other senior ministers.

Abolition of the relief could be presented by the government as tangible proof of its intention not to "privatise" the NHS and to maintain it as a tax financed public service.

The government has found that even when relief is allowed, private health insurance contributions are expensive for retired people.

Mr Robin Cook, Labour's health spokesman, said: "Their plans, which were dogmatic and doctrinaire. . . have now collided with reality and they are having to admit that they have failed and they will very soon have to admit that they have failed on other areas as well."



Hoping for a clean bill of health: William Waldegrave is spearheading attempts to rebuild confidence in Tory policy

Environment plans threatened by a lack of resources

By John Hunt, Environment Correspondent

MR MICHAEL Heseltine, secretary of state for the environment, has been warned that his far-reaching plans for the protection of the environment could be delayed by a lack of resources.

Mr John Hobson, director of the Department of the Environment's pollution control and wastes directorate, has told Mr Heseltine that the implementation of the Environmental Protection Act could be held up.

"Unless substantial additional resources can be made available over the next three years it is inevitable that something will have to give," said Mr Hobson in an internal DoE report.

The act, which is the Government's flagship "green" legislation, lays down a new system of integrated pollution control to clean-up industry.

Without more government resources there would be substantial slippage in the timetable of the act or, alternatively, the directorate would have to opt out of some policy development issues.

Mr Hobson said he is not recommending that the timetable should be put back but he pointed out that it is not easy to drop work on new policies where there are public commitments or international pressures.

Mr Tim Brown of the National Society for Clean Air and Environmental Protection said: "The Government has given priority to the environment but when it comes to getting things done on the ground they don't really have the staff or resources to come up with the goods."

Introduction of controls over many industrial processes have already been delayed for a year until next April. Further delay would be an embarrassment to the government.

The warning to Mr Heseltine came in a report under the Minis (ministerial information) system which he personally developed. Under this Whitehall departments have to state their policy targets and show how efficiently they are achieving them.

Mr Hobson said that his directorate, which is the section of the DoE dealing with pollution and waste disposal, has faced a daunting load of detailed implementation work against a background of resource shortages and continuing outside pressure for environmental innovation.

Particular problems of resources were caused by the introduction of new local authority waste disposal companies, proposals for environmental labelling and auditing and for a deep repository for nuclear waste.

There were continuing attempts to keep up with the exponential increase in public interest in environmental policy and the government's approach to the environment domestically and internationally.

This, with the combined burden of the act and the government's white paper on the environment "has put a heavy strain on staff and other resources," says Mr Hobson.

Officials expect to settle row with EC

By Ralph Atkins

DEPARTMENT of Transport officials are confident that the damaging clash with the European Commission over environmental studies for seven UK construction projects can be resolved without a further row.

Mr Malcolm Rifkind, transport secretary, is to prepare a point-by-point response to a letter sent last Thursday by Mr Carlo Ripa di Meana, the environment commissioner.

Mr Ripa di Meana suggested the projects – which include the high-speed rail link from the Channel tunnel to King's Cross station – should be halted until the dispute over whether full environmental impact studies had been carried out, was resolved.

Mr Rifkind is expected to argue, however, that all the schemes conformed to strict UK planning procedures, including an environmental assessment equivalent to European standards.

In dispute is whether the UK was correct to implement the European environment directive with legislation that exempts projects where an application for development consent was made before July 1988.

One transport official said yesterday: "There are explanations to be made and we hope that the commission will understand our point of view."

Although irritated by the commission's intervention, ministers appear determined not to let the row widen or become confused with the politically sensitive debate over moves towards European economic, monetary or political union.

Britain has been given two months to reply to the commission.

BBC told to give up regional service

By Raymond Snoddy

MR GEORGE RUSSELL, chairman of the Independent Television Commission (ITC), said yesterday that the BBC should in future concentrate on being a national rather than a regional broadcaster.

Mr Russell was speaking at the end of the week in which his commission decided to withdraw franchises from four ITV companies after competitive tenders which determined the future shape of the regional ITV system.

"If we have got one group that is a regional system, perhaps the BBC should say: 'We are a national system.' That gives them a different shape, but a massive role to play that certainly will not move its rating battle with the ITV system." he said on Answering Back, the Channel 4 interview programme.

Asked whether the BBC should now get rid of local radio and television, he said: "I am saying they have to examine what their role is. Can they afford that that when it is being provided by the ITV system – and I think in a good fashion - for next to nothing to the viewer."

Russell: warning BBC

The BBC was already overstretched and in the next few years would have to return to its core.

"If the BBC wants to use its money they should use it to be the major national broadcaster," said Mr Russell.

The corporation had got five radio channels, two television channels and a World Service and that was a big job to concentrate on."

Mr Russell, in his first interview since Thames, TV-am, TVS and Television South West lost their franchises, also predicted there would be mergers between ITV companies during the 1990s.

"My bones say that we will see a concentration of the 15 (ITV) companies to some some smaller grouping," the ITC chairman said. "The large ITV companies are prevented form merging by law and that should continue."

Mr Russell also said that Mrs Thatcher's letter to Mr Bruce Gyngell, the TV-am chief executive, had been a complete surprise. In the letter Mrs Thatcher described herself as mystified and heartbroken that TV-AM had lost.

"I think the legislation that she expected was one that the highest bidder would win. That certainly happened in the area of the breakfast franchise," Mr Russell said.

The ITC chairman predicted that there would be three applicants for the new Channel 5 broadcasting licence due to be advertised early next year.

Mr Bruce Gyngell, chief executive of TV-am, yesterday withdrew his prediction that the Sunrise consortium, which is to take over the breakfast TV franchise, would be bankrupt by 1994.

Mr John Birt, BBC director general designate, yesterday warned political parties against trying to put pressure on the BBC.

In a letter to the Sunday Times, Mr Birt said: "The BBC will continue to listen to complaints and to consider them seriously. But we will not be bullied by any party," said Mr Birt.

Consumer service industries face deeper recession

By Guy de Jonquières, Consumer Industries Editor

THE CONSUMER service industries face a deepening recession which will cancel any economic gains from a recovery in manufacturing next year, according to a report by Robert Fleming, the merchant bank.

It said that after growing exceptionally fast in the 1980s consumer services were burdened with excess capacity and debt which would lead to many further job losses and business failures.

"The scale of rationalisation required to redress the balance between existing capacity and expected demand suggests that services employment will fall significantly for at least the next two years," it said.

The prices of consumer services, which had consistently risen faster than general inflation, were coming under downward pressure.

Price cuts were still, however, being resisted by those producers with strong market positions.

Fleming said: "Before the 18-year trend of rising relative service prices is broken, it is likely that a significant reduction of capacity in services provision will occur as the weaker businesses lose the support of the banks."

While the private sector as a whole increased non-mortgage bank debt by 61 per cent in the three years to last May, there were increases of 82 per cent in non-financial services, 92 per cent in transport and communications and 110 per cent in hotels and catering.

Catering, accommodation and travel were already suffering from reduced consumer spending.

Fleming said the full impact had yet to be felt in vehicle services, recreation, life assurance and household services.

He also said the recession in the service industries did not begin in earnest until early this year and was affecting them in four different ways:

- A disproportionate reduction in discretionary spending, as financially over-stretched households faced up to their difficulties.
- Cuts in corporate perks, such as company cars, subsidised mortgages and expense accounts.
- Postponement of holidays, car maintenance and other services purchases.
- Reduced purchases of services such as nannies, restaurant meals and deliveries, as consumers performed more of these tasks for themselves.

Real spending on consumer services grew by 6.4 per cent annually in the 1980s, which accounts for a third of all consumer spending and a quarter of gross domestic product.

Ashley Ashwood

Bucking the trend: The Tall House Restaurant in Southwark Street, London exclaims its confidence in the future

Survey finds sharp rise in confidence among smaller companies

By Charles Batchelor

BUSINESS confidence among smaller companies has increased sharply over the past three months, according to the latest Enterprise Barometer index compiled by 3i, the largest UK venture capital group.

The index, which measures how conducive the business climate is to economic growth, rose from minus 8 in June to plus 47 in September, the highest figure since April 1989.

Almost half of businesses questioned expected to increase sales in the current quarter, compared with only 39 per cent in the last survey.

Twenty five per cent said they would increase investment spending, against 19 per cent three months before, but overall there were still slightly more companies planning to cut investment.

Among manufacturing companies, however, slightly more said they planned to increase investment. Just under 30 per cent expected to increase spending. Overall, the companies surveyed predicted they would be employing 5.5 per cent fewer people at the end of 1991 than at the beginning of the year.

Market for MBOs likely to recover

By Charles Batchelor

THE MARKET for management buy-outs (MBOs) is showing signs of recovery from the dip in 1990, according to a survey by KPMG Peat Marwick.

The accountancy firm says it is six months since any large buy-outs – valued at more than £10m – went into receivership. In the 15 months to March 10 buy-outs failed.

In the third quarter of this year 12 large buy-outs worth an average of £35m were completed. In the second quarter there were 13, worth an average £45m. In the first quarter seven deals worth an average £17m were done.

The £1.12bn total value of the 32 deals in the nine months compares with 47 deals worth £1.84bn in the same period last year. Smaller buy-outs worth an estimated £450m were completed in the first three quarters, against £540m last year.

However, a more cautious view is taken by Nottingham University's Centre for Management Buy-Out Research (CMBOR), whose figures refer to the first half of this year. It says the number and the value of buy-outs fell from 1990 levels, but were higher than in previous years. Buy-outs and buy-ins accounted for 52 per cent of the acquisition market.

The centre, which studies smaller deals in more detail than Peat, reported a 10 per cent fall to 283 in the number of buy-outs and buy-ins completed in the first half of 1991.

BRITAIN IN BRIEF

Procurement proposal to be reviewed

Mr John Major, the prime minister, has intervened in the expected plan by the Ministry of Defence (MoD) to move its air and sea procurement arms to Bristol in western England.Mr Major, who has ordered a review of the plan, is concerned at the political implications of the decision.

The government had been expected to announce last Tuesday that it was to relocate at least 5,000 jobs to the Bristol Business Park.

An announcement is now expected in about 10 days. If the MoD goes ahead with its original plan would be a blow to Birmingham and Cardiff, both of which lobbied hard to get the relocation.

Some 2,700 jobs would be transferred from London under the plan and another 1,100 now in London would be recruited locally. Another 900 would move from Portsmouth and Weymouth and a further 200 jobs in these two centres would be recruited in Bristol.

Car parks chief faces charges

Mr Gordon Layton, chief executive of National Car Parks, the largest car park company in Europe, has been released on unconditional bail following charges of industrial espionage.

Ms Jane Turpin, a former army officer, and Mr Simon Hewitt, a security specialist, appeared with him at Uxbridge magistrates court this weekend. The three were charged with conspiring to defraud Europarks, a competitor, between 1987 and 1989, and with acquiring information belonging to Europarks.

Ms Turpin was further charged with obtaining employment with Europarks by deception. She and Mr Hewitt were also released on bail. The defendants are due to reappear in court in December.

Lawyers urge new penalties

THE government has been urged by lawyers to adopt tough penalties – including a 10-year disqualification from business – for company directors and business managers who put the safety of employees and the public at risk.

Presenting a draft private members bill to solicitors at the Law Society Conference in Brussels at the weekend, Mr David McIntosh, senior partner of City lawyers Davies Arnold Cooper, said "corporate high-ups" far too often went unpunished while those lower down were prosecuted.

Under his corporate accountability bill, companies would be forced to hold annual health and safety audits. Those flagrantly in breach of safety requirements could be closed down.

Mr McIntosh said: "Although corporate manslaughter is a recognised crime, it is, as the outcome of the Zeebrugge ferry sinking prosecution confirmed, virtually impossible to establish in evidence."

HDTV strategy condemned

The Consumers' Association has attacked the European Commission over its high definition television (HDTV) strategy, saying it will force viewers to pay more for equipment which might be obsolete within a few years.

The consumer watchdog says the Commission has failed to take consumers' interests into account and calls for the scrapping of a proposed satellite broadcasting directive, which is due to take effect at the beginning of next year.

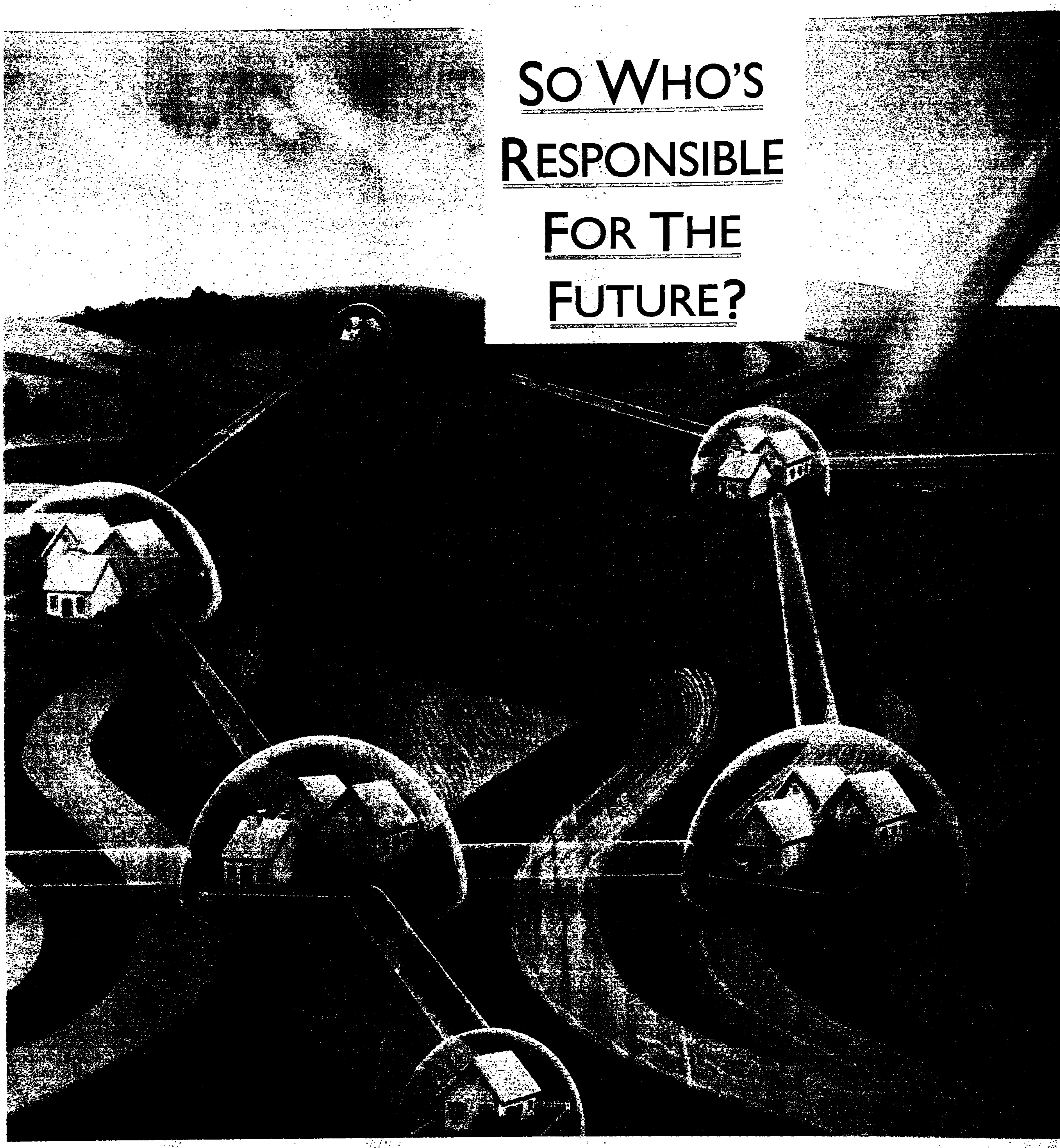
Statistics job may be split

The government is prepared to split the functions of its top statistical job between two people, in an effort to improve the reliability of official data on the economy.

The plan applies to the job of director of the Central Statistical Office. At present the CSO director is also head of the broader Government Statistical Service, which covers such fields as health and transport.

Under the new scheme a top manager could take over as head of the CSO with a remit to improve accuracy and timeliness of economic statistics.

SO WHO'S RESPONSIBLE FOR THE FUTURE?



The people who will shape the future are the ones who are assuming responsibility for the future right now.

At Novell, we're trying to do our part. By producing networking solutions that are flexible, and minimize waste; solutions where everyone benefits.

Indeed, we realize that it is our obligation as a responsible leader to give something back.

If that means others benefit from our successes – even our competitors – it's okay. Because that way, we all win.

It may not be the only way to run a computer company. But it certainly works for us.

NOVELL

The Past, Present, and Future of Network Computing.

For more information, please call Novell Marketing at 0344-860400 and reference this advertisement.

Criticism over Post Office closure plans

By Emma Tucker

POST OFFICE services to the public will be damaged by the closure or sale of nearly 500 branches by early next year, the UCW postal workers' union claimed yesterday.

The union was responding to a leaked document written by Mr John Roberts, managing director of Post Office Counters, showing that one third of the 1,493 Post Office branches operating in March 1989 will be closed or converted to agency status by March next year.

The Post Office dismissed the claims saying that the planned changes were administrative and would not affect customers.

Mr Peter Hain, Labour MP for Neath, described the changes as "illicit privatisation". He has written to Mr Peter Lilley, the trade and industry secretary, protesting that parliament has not been consulted.

"Selling off or closing 500 Crown offices in towns will hit local pensioners and deprive local communities of a vital facility," he said. "The sub Post Office is often the life blood of a village and their closure could be catastrophic for rural areas."

Earlier this month at the Conservative conference in Blackpool Mr Lilley hinted that some areas of the Post Office would be privatised if the party won the general election. He promised to reduce the Post Office's monopoly on letters costing less than £1 to post.

However, he emphasised that measures to reduce the monopoly would not be allowed to undermine its obligation to provide a uniform national service to all addresses.

Since 1989 the Post Office has converted around 300 of its main branches into agency-run offices. Some agencies are run by private individuals or by franchises, but offer the same range of services.

The Post Office said the changes were designed to reduce running costs without "impacting the customer" and reiterated its intention to maintain a network of offices in the community. "Exactly how we do that is a business decision," it said.

However, the UCW said it feared that once branches were taken over by agencies or franchises their permanence would no longer be guaranteed.

Its figures suggest the network will be reduced from 1,493 branches to 1,005 by 1992.

Mr Ernie Dudley, UCW national officer, said: "The Post Office is not a private business and should not be operated as such."

Mr Doug Henderson, Labour industry spokesman, said the Post Office had been forced into the "closure programme" by the government's refusal to allow them to diversify counter services.

British Airways parcel deal

BRITISH Airways and British Rail are co-operating to provide an international parcel delivery service, John Thornhill writes.

Red Star International, a division of BR's parcel delivery arm, has appointed British Airways' Speedbird airport-to-door service to carry a substantial part of its international traffic. Red Star will be able to use a wide range of short- and long-haul flights and will have direct access to British Airways' computerised route planning, tracking and monitoring system.

British Airways launched its Speedbird service last September to provide an independent global distribution network for freight-forwarding and courier companies serving more than 100 countries.

The Red Star arrangement, which comes into effect immediately, follows a six-month pilot scheme.

Red Star previously employed several different airlines and agents.

Shake-up plan for customs activities

By Robert Rice, Legal Correspondent

CUSTOMS and Excise is planning a radical shake-up of its revenue collection arrangements to make the UK more attractive for multinational companies and distributors.

The proposals, outlined in a consultation paper for the Joint Customs Consultative Committee, would introduce an electronic system for collecting VAT, customs duties and Common Agricultural Policy levies on goods from outside the European Community.

Under this "systems audit", most clearance and entry work would be moved from ports and airports. In effect companies would be allowed to run their own customs entry and clearance with periodic audits by customs inspectors.

Traders would no longer have to wait until charges had been paid before dispatching goods to customers.

By integrating customs controls with other inland controls, Customs and Excise hopes to develop "whole trader" control, with all levies and charges dealt with in one inspection. This would make trade with non-EC countries almost as easy as internal market trade after 1992.

Customs and Excise hopes to have the system – which would make trade with non-EC countries almost as easy as internal market trade after 1992 – in place by 1996. It believes it would give the UK one of the most flexible trade revenue regimes in Europe, attracting US and Japanese companies to set up UK bases.

It could result in heavy job losses in port areas where most customs processing is currently carried out.

Although clearance at ports would still be possible under the new system, the volume of work handled by entry processing units is already set to fall dramatically as customs declarations for intra-EC trade disappear on January 1, 1993.

Ulster gunmen claim debate as their victim

Ralph Atkins and **Our Belfast Correspondent** on a hardening in attitudes of the province's terrorists

Politics of protest: the failed talks on Northern Ireland's future started amid opposition

LOYALIST paramilitaries, fighting a grisly battle for Queen and Ulster on the back streets of Belfast, have been on the rise in recent days – knocking debate on Northern Ireland's political future in to the shadows.

For the first time, loyalist murders are running at the same level as killings by the IRA.The latest, Mr Brian McCabe, a 33-year-old Catholic man, shot by the Ulster Freedom Fighers in east Belfast, died last week when his life support machine was switched off.

Politics has all but stagnated. A general election looms in the UK. Neither the terrorist nor local politician sees any gain to be made from making concessions to their opponents.

Mr Charles Haughey, the Irish prime minister, yesterday echoed Mr Peter Brooke, the Northern Ireland secretary, in saying the increase in sectarian violence made political dialogue more important still.

Yet in the vacuum, security provision has become paramount. It was a focus of last Thursday's meeting of British and Irish ministers in London. Mr James Molyneaux, leader of the Ulster Unionists, will meet Mr Brooke today, not to discuss the political impotence of locally-elected representatives, but policing in the province.

Local politicians clamour for a more aggressive security policy. Mr Hugh Annesley, chief constable of the Royal Ulster Constabulary, said he is impatient for a decision on his request for 440 extra police officers.

Deaths from terrorist violence this year total 70, just three short of the total for the whole of 1990.

Loyalist gunmen have murdered 16 out of the 26 people killed in the province since lifting their ceasefire during the "round-table" political talks which ended in July.

The surge in loyalist terrorism is perhaps organisational in origin. Ironically, the Stevens report last year into collusion between the Ulster Defence Regiment and loyalist paramilitaries might have forced a re-grouping and greater discipline, as well as possibly ending useful contacts made by the security forces.

The perceived success of the IRA, which increasingly has been targeting businessmen and labourers carrying out work for the security forces, may have encouraged a counter offensive.

So much is sophistry. Straight-forward hatred, distrust and defensiveness may be the simpler explanation; the conspiracy theory is not used to explain racial attacks in east London.

Nevertheless, Mr Brooke, who defied expectations this summer to start talks between the main constitutional parties, has been left floundering. He has again called for terrorists to recognise that true reconciliation can only come by peaceful means. It is a message heard a thousand times before.

The official policy is to find an agreement on political structures in the province that can win widespread acceptance. Mr Brooke is simply a facilitator. However, as terrorism intensifies, and attitudes harden, his quest for a package that can form a common denominator across unionist and nationalist communities becomes more difficult.

Politicians who back violence are specifically excluded from talks with Mr Brooke.

However, he has gone further than predecessors to pull supporters of nationalist terrorists into constitutional politics. Britain has "no selfish strategic or economic interest in Northern Ireland", he said in a speech last November. It is not the aspiration to a united Ireland to which he objects only its violent expression.

Yet Sinn Fein, the political wing of the IRA, remains an ideological opposite of the parties working within the Westminster system.

Mr Brooke's soft words may have backfired, provoking Loyalists into a still greater sense of defensiveness.

Soon Mr Brooke may have to move from his neutral stance. There are signs that senior Conservative's are ruminating about hung parliaments. Ulster Unionists – traditional Conservative allies – hold nine seats at Westminster, the Democratic Unionists three.

They may have to be wooed. At the same time, Conservatives are fighting Northern Ireland seats for the first time at a general election.

So far, shifts of policy have been denied. Mr Brooke was non-committal as he left the Anglo-Irish conference last week. When asked if he would remain a mere facilitator or revert to being a Conservative and Unionist politician, he replied with a smile: "I look forward to a cross-examination of that sort."

THE WEEK AHEAD

ECONOMICS

Focus now on Japanese inflation

THE MARKETS will be looking for signs that Japanese inflation continues to moderate after its peak earlier in the year, and a possible cut in the official discount rate. The consumer price index is expected to have risen at an annual rate of around 2.7 per cent in September.

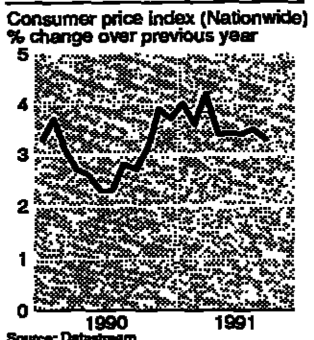
Last week, after a rise in the yen, the chorus of calls demanding the Bank of Japan make a prompt decision on rates in order to revive the economy grew louder. By the end of the year, economists at Yamaichi Securities, the Japanese bank, expect the national inflation rate to be close to 2 per cent – which would be the best inflation performance among the economies of the Group of Seven biggest industrialised countries.

As the BoJ has been hard at work squeezing asset and goods price inflation out of the system, signs of a slowdown in the economy have built. Markets expect a cut in the ODR, which stands at 5.5 per cent. It was cut from 6 per cent on July 1, the first fall in four and a half years.

In the UK, attention is to focus on the monthly trade figures for September and today's retail sales figures.

Japan

Consumer price index (Nationwide)
% change over previous year



Source: Datastream

Over the past year, UK exports have been gently rising, a trend which economists have attributed to the demand caused by German unification as well as companies' ability to find overseas markets for their products. As German growth slows down following rises in tax and interest rates, the UK's penetration of EC markets is set to slow somewhat.

In the US, hopes of another easing were confused by news of a 0.4 per cent jump in consumer prices last month, the biggest since January and double expectations. It left US analysts concerned about the possibility of stagflation – low growth coupled with inflation.

Other notable events and statistics, with median market forecasts from MMS International in brackets, include:-

Today: UK, Confederation of British Industry survey of the distributive trades for September, retail sales for September (monthly 0.3 per cent, y-o-y down 0.4 per cent). Japan, money supply (y-o-y 2.1 per cent). Canada, retail sales for August (down 0.9 per cent).

Tomorrow: US, September Treasury Budget ($12.8bn deficit). UK, visible trade account for September (£750m deficit) and current account (£550m deficit). Japan, August personal consumption expenditure, personal income and Oct. 1-10 trade balance.

Wednesday: US, Fed releases Tan Book for November. US, Oct. 11-20 auto sales. France, September trade balance (deficit of FFr3.5bn).

Thursday: Germany, fortnightly Bundesbank council meeting. US, September durable goods orders (up 0.5 per cent), export price index, initial claims for week ending Oct. 12 (420,000), money supply figures for week ending Oct. 14 (M1 down $0.8bn; M2 down $2.3bn; M3 down $0.8bn). UK, September building society commitments (£3bn). New Zealand, August trade balance. Australia, housing finance (down 2 per cent).

Friday: US, September existing home sales, 3rd quarter housing vacancies, September bank credit, September commercial and industrial loans. Japan, October Tokyo CPI (y-o-y 3.3 per cent) and National (y-o-y 2.7 per cent).

During the week: Germany, September regional cost of living data from Baden-Württemberg, Hessen, North-Rhine Westphalia, Bavaria, October preliminary cost of living, import prices (m-o-m down 0.1 per cent, y-o-y down 1.3 per cent). France, September unemployment rate. Japan, Bank of Japan quarterly economic outlook.

Rachel Johnson

RESULTS DUE

SMITHS INDUSTRIES is expected to report relatively good news on Wednesday. Its annual pre-tax profit is expected to be just £3m down at about £117m. Smiths' expertise in refurbishing old aircraft will have buoyed up the defence-dependent business, which accounts for half of group turnover. The medical and industrial products divisions are expected to show a slight improvement.

All eyes will be on Smiths' acquisition policy and hopes are that its cash mountain will be used to good effect outside the declining aerospace business.

McKechnie, the Walsall-based group with interests stretching from metal and plastic components to household consumer products, has been coping with recession better than many of its peers.

Disposals have taken out most of its gearing and cost-cutting has helped to hold up margins. But trading has remained difficult and a decline in annual pre-tax profit to between £21m and £22m, from £28m, looks likely when it reports tomorrow.

Hints that Californian operations have performed more poorly than expected have led analysts to downgrade forecasts for Wolseley, the plumbing and building materials distributor which also reports tomorrow. Pre-tax profit for the year to July is expected to be between £78m and £80m, down from £121m. In the UK, Wolseley seems to have continued to outperform its competitors in dire conditions for builders' merchants.

When Amber Day, the fashion retailer, launched a £24.4m rights issue in June, it forecast that pre-tax profit would more than treble in the year to August 3.

Today's results announcement is, therefore, expected to include a pre-tax figure of nearly £10m, compared with £3m in 1989-90. What Everyone Wants, the discount shopping chain, will probably have contributed 95 per cent of operating profit. The Woodhouse and Review menswear shops in the south of England have proved more vulnerable to recession.

UK COMPANIES

■TODAY
COMPANY MEETINGS:
London Securities, Mill Ride Estate, Mill Ride, Ascot, Berks., 11.00
Murray Income Trust, 7, West Nile Street, Glasgow, 10.30
BOARD MEETINGS:
Finals:
Amber Day
Clydesdale Inv. Trust
Pacific Horizon Inv. Trust
Interim:
Bourne End Properties

■TOMORROW
COMPANY MEETINGS:
Osprey Communications, 10, Little Portland Street, W., 10.00
Waterman Partnership, Apothecaries Hall, Blackfriars Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Allied London Properties
Edinburgh Inv. Trust
Exmoor Dual Inv. Trust
McKechnie
Pressac Hldgs.
UDO Hldgs.
Wolseley
Interims:
Densitron Intl.
FR Group
Petrocon
Rowe Evans
Waterford Wedgwood

■WEDNESDAY OCTOBER 23
COMPANY MEETINGS:
Foreign & Colonial High Income Trust, Exchange House, Primrose Street, E.C., 12.30
Richmond Oil & Gas, Chartered Accountant's Hall, Moorgate Place, E.C., 11.30
Trevian Hldgs., 341-349, Oxford Street, W., 10.30
BOARD MEETINGS:
Finals:
Attwoods
Smiths Inds.
Interims:
British & American Film
Craig & Rose
Plastiseal

■THURSDAY OCTOBER 24
COMPANY MEETINGS:
Cray Electronics, The Brewery, Chiswell Street, E.C., 11.00
Gabicci, Gabicci House, Humber Road, N.W., 4.00
Haynes Publishing, Haynes Sparkford Motor Museum, Sparkford, Somerset, 1.00
Stormgard, Chartered Insurance Institute, 20, Aldermanbury, E.C., 10.00
Sunset & Vine, 30, *Sackville Street, W.*, 11.00
BOARD MEETINGS:
Finals:
Colorgen
Govett Strategic Inv. Trust
Majedie Invs.
Overseas Inv. Trust
Interims:
Airflow Streamlines
Boxmore Intl.
London American Ventures
Scottish Mortgage & *Trust*
Securitites Tst. of Scotland

■FRIDAY OCTOBER 25
COMPANY MEETINGS:
Armour Trust, 100, Liverpool Street, E.C., 11.15
Glaxo Hldgs., Grosvenor House Hotel, *Park Lane, W.*, 11.30
Polypipe, Doncaster Moat House, Warmsworth, Doncaster, 11.00
BOARD MEETINGS:
Final:
New Frontiers Dev. Trust
Interims:
Blackland Oil
Clayton, Son
Conrad Continental
New Throgmorton Trust
Usborne

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■TODAY
Adscene 1.25p
Black (Peter) 2.07p
Calderburn 2.8p
English & Scottish Invs. *1p*
Excalibur 1.4p
Kingston Oil & Gas 1p
Mandarin Oriental Intl. (Bermuda Reg) 141cts.
Do. (Hong Kong Reg) 141cts.
Do. (*Jersey Reg*) 141cts.
Persimmon 2.8p
PowerGen 5.55p
Do. (Fly Pd.) 5.55p
Do. (100p Pd) 5.55p
Queens Moat Houses 1.342p
TSB $10\frac{5}{8}$% Sub. Ln. 2008 $5\frac{5}{16}$pc.
Texas Instruments 18cts.
WSP Hldgs. 1.1p
Wells Fargo 100cts.
Wilson (Connolly) 1.27p

■TOMORROW
INVESCO MIM 2.3p
Mitsubishi Cap. Inc. Gtd. Dual Basis B Bds. *2000 $4336.46*
Do. A Bds. 2000 $4560.07
Do. C Bds. 2000 $4096.87
Osprey Comms. 1.35p
Rustenburg Platinum 225cts.
Serco 4p

■WEDNESDAY OCTOBER 23
Bank of China Fltg. Rate Nts. 1992 $330.42
Candover Invs. 3.5p
Christiania Bank OG Kreditkasse Fltg. Rate Sub. Nts. Oct. 1997 $339.95
Church 3p
Coronation Syndicate 2cts.
Dairy Farm Intl. (Hong Kong Reg) 1.35cts.
Do. (Bermuda Reg) 1.35cts.
Do. (Jersey Reg) 1.35cts.
Die Erste Osterreich Spar-Casse Sub. Fltg. Rate Nts. April 1992 $339.95
Murray Inc. Tst. 3.6p
NatWest Fin. Gtd. Fltg. Rate Cap. Nts. 2005 *$330.42*
Tweefontein Utd. Collieries 38cts.
Woolwich Bldg. Society *Fltg. Rate Nts. 1995* £140.21

■THURSDAY OCTOBER 24
Bankers Trust N.Y. 63.5cts.
Brammer 4.5p
Bristol & West Bldg. Society Fltg. Rate Nts. 1992 £141.78
Britannia Bldg. Society Fltg. Rate Nts. 1996 £282.93
Co-operative Bank Sub. Fltg. Rate Nts. 2000 £141.78
Foreign & Colonial High Inc. Tst. 1.2p
Home Counties News. 2.75p
Hong Kong Land (Bermuda Reg) 2.85cts.
Do. (Hong Kong Reg) 2.85cts.
Do. (Jersey Reg) 2.85cts.
Inv. Tst of Guernsey 0.75p
Lambert Howarth 4p
Lloyds Bank Ser. A Var. *Rate Sub. Nts. 1998* £298.05
MTM 1.87p
Magnolia 1.75p
New Throgmorton Tst. 1.5p
Pacific Dunlop 10.5cts.
Plaxton 1p
Precious Metals Tst. 3p
Tops Estates 1.3p

■FRIDAY OCTOBER 25
Barr & Wallace Arnold 3p
Do. A (N/Vtg.) 3p
Beatrix Mines 31cts.
Brasway 0.27p
Breedon 1.75p
British Mohair 1.4p
CPC Intl. 55cts.
Conversion $9\frac{1}{2}$% 2004 $4\frac{3}{4}$pc.
English & Caledonian Inv. 2.15p
Epwin 2.1p
Exchequer 11% 1991 $5\frac{1}{2}$pc.
FBD Hldgs. 1.6p
General Electric Co. 51cts.
Hall Eng. 3.3p
Holt (Joseph) 9p
Intl. Inv. Tst. Co. of Jersey 8p
Manchester (City of) 11.5% Rd. 2007 $5\frac{3}{4}$pc.
Manufacturers Hanover 47cts.
Matthews (Bernard) 2p
Molex 0.5cts.
Do. Class A *0.5cts.*
Psion 1p
RPS 1.4p
Rotork 4.25p
Second Alliance Tst. 23.5p
Do. $4\frac{1}{2}$% Cm. Pf. *1.575p*
Sedgwick 4p
TSB Gilt Fd. Ptg. Rd. Pf. (Class B) 0.8461p
Templeton Galbraith 7cts.
Trinity Intl. 2.6p
Usher (Frank) 2.5p
Wholesale Fittings 13.39p
Wimpey (George) 4p

■SATURDAY OCTOBER 26
Australia (Commonwealth of) $11\frac{3}{8}$% Ln. 2015 (Reg) $5\frac{11}{16}$pc.

■SUNDAY OCTOBER 27
Exchequer $13\frac{1}{2}$% 1994 $6\frac{3}{4}$pc.
Exchequer 15% 1997 $7\frac{1}{2}$pc.

PARLIAMENTARY DIARY

■ TODAY
Commons: Debate on the National Health Service. Consideration of Lords amendment to the British Technology Group Bill. Debate on financial and technical aid to developing countries in Asia and Latin America.

Lords: *Export and Investment* Guarantees Bill, third reading. Debate on political union in the European Community. Question to government on the British hallmarking system.

■ TOMORROW
Commons: Lords Amendments to the Export and Investment Guarantees Bill.

Lords: Debate on the EC report on municipal waste water treatment.

Select Committee: Parliamentary Commissioner for Administration – subject, reports for 1990-91. Witnesses: West Midlands Regional Health Authority; Cambridge Health Authority (Room 19, 4.15pm).

Both Houses will prorogue and the new session of Parliament will open on Thursday, October 31.

هكذا في الأصل

Guy de Jonquières reports on a radical reorganisation of the multinational's detergents operations

Unilever adopts clean sheet approach

In the past 22 months frantic shuttle diplomacy has become a way of life for Jon Peterson, chief executive of Lever Europe, as he has wrestled with the task of welding Unilever's European detergents operations in 17 countries into a more cohesive entity.

The 55-year-old Australian says the reorganisation has been a "traumatic" experience, which has kept him on the road at least half the time since he took the job early last year. Sometimes, he says, he feels he has worked for the Anglo-Dutch consumer products company for 100 years.

The far-reaching changes taking shape in Europe are a crucial part of a wider plan to transform Unilever's worldwide detergents activities from a confederation of largely autonomous national units into a globally managed business with a unified strategy.

The shift has been prompted by Unilever's realisation that its traditional way of doing things was handicapping it in an industry which increasingly demands large-scale economies, rapid innovation and flexible response to market trends.

The point was driven home in the 1980s when Procter & Gamble repeatedly stole the lead in bringing new products to market. Burdened with a fragmented and slow-moving structure, Unilever was left struggling to catch up with its leaner and better co-ordinated American arch-rival.

The potential pay-offs from the reorganisation are huge. As well as faster product development, they include annual savings of several hundred million pounds on manufacturing and a reduction of as much as three years in the time taken to launch new products internationally.

However, establishing the new order has been one of the most convulsive chapters in Unilever's 61-year history. And nowhere more so than in Europe, where managers of its national subsidiaries have long defended their prerogative to decide what products they sold and to control their manufacture, packaging and marketing.

For many of the company's old guard, the reorganisation has been deeply disorienting. Indeed, when first mooted in mid-1988, it divided even Unilever's British and Dutch joint chairmen.

Sir Michael Angus in London favoured the idea, but Floris Maljers in Rotterdam feared undermining the company's much-prized local market expertise. Maljers went along only after waves of younger executives argued that change was inescapable. However, senior managers insist that, after months of intense debate and planning, the new approach is now widely accepted and is producing results faster than expected.

"You would have to search very hard to find anybody at a senior level of the business who had any doubt whatsoever that what has been done is the right thing to do," says Niall Fitzgerald, a main board director and the company's central detergents co-ordinator.

As part of the reorganisation, the role of detergents co-ordinator has been expanded to include executive authority over Unilever's detergents operations in North America as well as Europe, and an influence on strategy in other parts of the world.

Simultaneously, the creation of Lever Europe has established for the first time a body charged with treating the region as one market. The 17 national companies, which previously reported to the detergents co-ordinator now report to Lever Europe, and the heads of the four biggest companies sit on its board.

AUSTRIA DENMARK FINLAND FRANCE GREECE ITALY NETHERLANDS

NORWAY PORTUGAL SPAIN SWEDEN TURKEY

Unilever first established the co-ordination system more than 20 years ago in an effort to give clearer direction to the business. The need was particularly strong in detergents, which – unlike food – lend themselves to extensive international standardisation.

But though the system tightened central control over development of new products, nothing obliged national operating companies to make and sell them. "Nobody was in a position to say: 'Well, I've heard all the debates. Now this is what we're going to do,'" says Fitzgerald.

As a consequence, launching new products across Europe could take as much as four years, denying Unilever the "first-mover" advantage crucial to building a strong market position. Today, almost half the company's £2bn annual detergents sales in Europe are still accounted for by products peculiar to individual countries.

Since Lever Europe was created, it has begun chipping away at the differences. The sizes of packs of detergent and the design motifs on them are being harmonised, cutting purchasing costs and paving the way for unified pan-European advertising campaigns.

Lever Europe is also speeding up development of new products, the launch of which will be synchronised throughout the region. Roy Brown, managing director of Lever Brothers, the UK detergents subsidiary, says the company plans to introduce more products next year than in its entire history. He expects that by 1995 almost all Lever Brothers' range will be common to the rest of Europe.

The new approach is already showing results. A concentrated dishwasher powder, introduced in Germany as Sun Progress a year ago, is now available almost everywhere in Europe. Unilever also believes it is eight months ahead of P&G in launching a concentrated liquid fabric cleaner.

None the less, history still imposes constraints. While P&G's leading laundry detergent is sold as Ariel almost everywhere in Europe, Unilever's sell variously as All, Omo, Persil, Presto, Skip and Via. Confusingly, Henkel, a German chemicals company, owns the right to the Persil brand in most countries except Britain.

Unilever has no plans to harmonise in this area. "After you've advertised for 80 or 90 years and established a brand, you're not about to throw away Persil and call it Omo or Skip," says Brown.

Meanwhile, a sweeping overhaul of manufacturing is under way. Unlike P&G, which supplies the whole of Europe from a few large factories, Unilever has traditionally operated a patchwork of plants, each designed to make a wide range of products for one national market.

The result was an inflexible high-cost structure which, Fitzgerald estimates, contained at least 50 per cent more production capacity than needed.

Rationalisation initiated in the mid-1980s is being sharply accelerated, aided by sophisticated computer models designed to optimise plant locations and production planning. The number of plants making soap has already been cut from 10 to two, and some future products will be made at only one site.

Earlier this year, Unilever announced a £195m provision for restructuring of its European detergents and foods businesses. Fitzgerald expects the detergents restructuring to be largely complete in less than five years, giving Unilever a network of large, specialised plants. The company does not dispute independent estimates that annual operating costs may be cut by as much as £250m a year, with further benefits coming from the more efficient use of capital investment.

So far, large-scale plant closures have been avoided, though Unilever is coy about future plans. However, Peterson says: "Frankly, we haven't got the great luxury of time. This is survival stuff. We've got to act quickly."

While freeing itself from the legacy of its European past is Unilever's most pressing priority, the company is also laying the foundations for closer integration of its worldwide detergents operations, particularly on either side of the Atlantic.

Peterson and David Webb, his counterpart in the US, talk by telephone several times a week and both are members of the detergents executive, headed by Fitzgerald, which meets every six weeks. Their product strategy teams are also in regular contact, comparing notes on research, development, market trends and advertising.

The first fruits of collaboration are expected to show up in the extension to Europe of some of Unilever's US products. Further ahead, there is talk of joint development of new products, which would be launched more or less simultaneously on both sides of the Atlantic.

All these moves have narrowed the gap with P&G. But will they be enough to give Unilever an outright advantage? Says Brown: "I don't think P&G has reached nirvana yet. One of the great strategic questions is, who is going to get this more right more quickly. I'm fairly confident we will."

Implicit in Unilever's new approach is a bargain: that the national operating companies accept reduced autonomy over their traditional markets in exchange for a role in developing and executing a unified pan-European strategy.

To win their commitment, Unilever has sought to strike a careful balance. Though the nerve-centre of the new system is Brussels, where Peterson heads 60 staff from 11 nations, key tasks have been distributed around the operating companies.

For instance, Lever Europe's marketing strategist for laundry detergents is based at Lever Brothers' headquarters in Kingston, Surrey, while Roy Brown heads a project to develop and manufacture a new – and still unannounced – product due to be launched Europe-wide in 1993.

Roughly two-thirds of the bonuses payable to senior managers of the operating companies is now determined by Unilever's performance in Europe. Fitzgerald concedes it is difficult to measure individual managers' contributions to the overall result but says monetary incentives were needed to encourage them to focus on European objectives.

He and Peterson insist that changing individual attitudes is far more important to making the new system work than details of structure and organisation, which can be refined over time.

But some outsiders familiar with Unilever believe that instilling a European mentality into a business long geared to national priorities has been complicated by the speed and complexity of the change. Some managers, they claim, are confused about their roles and career prospects.

Peterson acknowledges that shifting direction "comes hard to people who for years have been in an environment where total business power was delegated to them. Anybody at the head of the business has had to put a huge amount of time into the simple act of communication." But senior managers are unanimous that Unilever's tradition of reasoned argument has carried the day. "One tends to manage by intellectual logic rather than by cracking the whip and expecting people to follow," says Brown.

His judgment is shared by Professor Sumantra Ghoshal, an authority on transnational corporate management, whose course at Insead business school attracts many Unilever executives. "When you talk to these people, you find there has been a significant change in the way they think," he says.

"The integration of the business is working much better." However, there remains one area in which Unilever is eager to check progress towards European-level integration: industrial relations and wage bargaining. There, the company is determined to leave responsibility where it has always been – in the hands of its national managers.

A second article on Unilever's food operations will be published next week.

CONSTRUCTION CONTRACTS

Training college

BIRSE CONSTRUCTION has been awarded a £14m contract by Cable and Wireless. The project comprises a telecommunications college, which will serve Cable and Wireless' operations worldwide including Mercury Communications in the UK.

It includes teaching and research wings, lecture rooms, library and exhibition area, student accommodation and a leisure centre complete with a 20 metre swimming pool, gymnasium and squash courts.

The development, situated on Coventry's Westwood Business Park, is scheduled for completion in December 1992.

Biology facility

J JARVIS & SONS has won contracts totalling over £20m. The largest is a £4.7m five-storey cell biology building at University College London for the Medical Research Council. It will have a steel frame with brick and stonework cladding and a barrel vault roof.

Fitting out work costing £3m has also started on two retail stores, while other work includes projects in Manchester and Newcastle upon Tyne.

£55m housing developments

The LOVELL GROUP has recently negotiated £55m of new housing work, of wich £35m will be carried out by Lovell Homes and £20m by Lovell Partnerships.

At Milton Keynes, Lovell Homes has joined forces with Wilcon Homes and Milton Keynes Housing Association to build 1,300 private and partnership homes on a a 140 acre site to to the east of the town. At current prices, the sales value to Lovell of the private development is some £35m.

The largest of the Lovell Partnerships contracts is a £9.4m 277 unit mixed tenure development at Highfields, Stafford, in partnership with Stafford Borough Council and Bradford & Northern Housing Association.

At Wheelers Lane, Hemel Hempstead, the same company is building 90 homes in a £4.7m design-and-build contract for Paddington Churches Housing Association.

In Shackleton Drive, Daventry, the company is involved in a £2.7m contract for 92 dwellings in partnership with Daventry District Council.

Other Lovell Partnerships schemes are at Rugby (35 homes), Walton-on-Thames (20), Harlow (22) and Macclesfield (9). The Rugby development is phase six of an £8.1m 302 unit project.

Building supermarkets for Sainsbury

Two Sainsbury's supermarkets in Folkestone and Camberley are among £23m worth of work awarded to WIMPEY CONSTRUCTION in the south of England.

The multi-million pound contracts will together provide the retail group with more than 90,000 sq ft of new retail space in the south.

Both developments have been designed along similar lines, using ornate brickwork and vertical tiled elevations to reflect local architecture and nearby buildings.

At Camberley the supermarket will be located on a former landfill site. Major earthworks are already being carried out to make way for the 60,000 sq ft development.

When the store opens in summer 1992 it will provide a petrol filling station and parking for up to 800 cars in addition to the foodstore.

The Folkestone development, also due for completion in summer 1992, will create a retail outlet with car parking for 645 vehicles

Elsewhere in the region, Wimpey has secured two further contracts - a Sainsbury's Homebase house and garden centre at Tunbridge Wells and a £3.25m contract to carry out fire damage repairs to the headquarters of Mercantile Group in Basingstoke.

The Homebase will be built on the same site as an existing superstore in the royal spa town and has been designed to complement this development.

When completed in February next year the single-storey Homebase will have a sales area of 28,000 sq ft and share 736 car parking spaces with the neighbouring Sainsbury' s supermarket.

After a fire at the headquarters of Mercantile Group in Basingstoke last May, repairs are under way by Wimpey Construction Southern. Work includes curtain walling between floors seven and ten; replacement of fire barriers and fire protection to the steel frame; installation of air conditioning, computer flooring and redecoration to all floors.

Land warfare exhibition centre scheme

The SDC CONSTRUCTION GROUP, Bedford, is building a land warfare exhibition centre for the Imperial War Museum among a £5m batch of new contracts.

The 52,000 sq ft building (£1.8m), alongside the M11 at Duxford, Cambridgeshire, will feature a central walkway at first floor level from which visitors can look down on a series of battlefield tabieaux.

Instead of a normal floor SDC will create reality with scattered rubble, dug-out slit trenches, shell craters and gun pits in the bare earth.

Other contracts include offices in Luton for Whitbread (£1.3m), store refurbishment for W.H. Smith in High Wycombe (£850,000), refurbishment work for Land Rover, Solihull and external works and landscaping at St John's College, Cambridge University.

Eisteddfod pavilion scheme

The north west division of R M DOUGLAS CONSTRUCTION has won a package of orders in Wales worth more than £4m, including a contract to build the new permanent pavilion for the Llangollen Eisteddfod.

The £2.6m pavilion will provide a permanent 2,000 seat arena with provision for a further 4,000 seat temporary arena for use during the festival. It also includes a two-storey, 20,000 sq ft community building for use by local residents all year round, incorporating a multi-purpose hall, a health suite with gymnasium and dance studio and a refreshments area.

Designed to blend traditional and modern materials, the pavilion features local stone and slate topped with a membrane structure roof to maintain the appearance of a tented field. Work has already started on the project which is due for completion in July next year, in time for the opening of the 1992 Eisteddfod.

The package also includes three advance units in Wrexham for the Welsh Development Agency, providing a total of 90,000 sq ft.

Milford bypass

A £7.9m contract to build a dual two-lane A3 bypass of Milford in Surrey has been awarded to COSTAIN CIVIL ENGINEERING. The new 2.9km road will pass to the west of Milford, leaving the existing A3 at Eashing and rejoining it at Rodborough Hill.

APPOINTMENTS

Treasury chief at McCain

■ McCAIN FOODS GROUP has appointed Ms Virginia Featherstone-Witty as European treasury liaison executive.

Based in London and reporting directly to the chief financial officer, Ms Featherstone-Witty will be responsible for co-ordinating European treasury functions, including cash management and foreign exchange.

She has previously held posts with Chase Manhattan Bank and Chemical Bank of New York.

■ Mr Charles Richardson has been appointed as a director of COUNTY NATWEST INVESTMENT MANAGEMENT, where he will be responsible for UK stock selection process and the UK equities team.

■ Mr Philip Fletcher has been appointed managing director of ROWE EVANS INVESTMENTS, the Indonesian oil palm and rubber producing group.

■ NATIONAL WESTMINSTER BANK has appointed Mr Paul Kilduff (*pictured*) to the new position of head of group strategy. He was a director of Sealink from 1988 and was previously with Lonrho, Grand Metropolitan and RTZ.

■ Mr John Matthews has been appointed managing director and chief executive at FINANCIERE INDOSUEZ, London, the UK arm of Banque Indosuez' specialist mergers and acquisitions subsidiary. He will be responsible for developing activities in the UK, particularly in the field of cross-border mergers and acquisitions. Mr Matthews is a former deputy chairman and deputy chief executive of Beazer, and prior to joining the group in 1988 was a managing director, corporate finance, at County NatWest.

■ ANDREW WEIR SHIPPING has announced five new directorships following the successful acquisition of the former Ellerman Lines. Mr Anthony Cooke, Mr Geoffrey Smith, Mr Bob Moss, Mr Michael Parker and Mr Keith Sessions are joining the board.

■ EMPLOYERS REASSURANCE has appointed Mr Stephen Wood as chief actuary, with effect from December 1.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

OCTOBER 22
DOING BUSINESS IN GERMANY
A comprehensive guide to corporate strategy. Sponsored by: Coopers & Lybrand European and Carre, Orban & *Partners. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK.* Contact: FIBEX TEL: 071 489 9944 Fax: 071 236 6140
LONDON

OCTOBER 24
Preparing for the Upturn Lloyds Bank/ECGD/International Factors. How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Edinburgh Chamber of Commerce, from 11.30 to 14.00. Free of Charge
EDINUBRGH

OCTOBER 30
Activity Based Cost Management: The Direction For Financial Services in the 90's CBI/DEVELIN & PARTNERS CONFERENCE
Centre Point, London
Contact: Sandra Aldred CBI Conferences Tel: 071-379 7400
Fax: 071-497 3646
LONDON

OCTOBER 30
ENVIRONMENTAL LIABILITY - CAN YOU COPE?
SJ Berwin & Co discuss who is at risk - company directors, banks acting as mortgagees or employees. Noble Denton Gorra will deal with pollution insurance with regards to management environmental policy. Contact Fiona McGregor Tel: 071 278 0444 Fax: 071 430 0924.
LONDON

OCTOBER 31 - NOVEMBER 1
World Mobile Communictions
Examines market, technical and regulatory *issues as well as the challenge to develop* a mass market personal communications system.
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

OCT 31 - NOV 1
Operations and Settlement Strategy for the 1990's
A two-day conference for funds, investment managers and brokers keen to exploit back office cost savings and profit opportunities. Contact Kate Benktander The Conference Consultancy Tel: 0932 820802
LONDON

NOVEMBER 4
MAKING I.T. STRATEGY SUCCEED
Drawing on the lessons of highly experienced IT directors the conference explores the success factors and key problems associated with developing IT strategies which generate business benefits. Contact Business Intelligence. Tel: 081 944 1591 Fax: 081 944 0332
LONDON

NOVEMBER 4/5
The new agenda and institutions of European Security Policy.
Expert seminar - limited places available. Who will be taking decisions on European defence in 5-10 year's time? Of interest to those in monitoring of developments in defence. Contact: Judy Keep, Federal Trust on
071-259 9990.
LONDON

NOVEMBER 5
TRADING WITH AND INVESTING IN TURKEY
Speakers from Turkish and U.K. Governments, banks and private sectors will introduce the advantages of this rapidly developing market and provide General Election update. Contact Richard Kemp 051 708 5999
NORTH WEST

NOVEMBER 5
WORKING WITH VDU EQUIPMENT
A seminar where expert speakers examine the implications of the EC Directive on workplace practices, health and safety, eye and eyesight testing, screen design and office furniture and lighting. Contact: Peter Russell or Diane Mcgraw Sira Communications Ltd Tel: 081-467-2636 Fax: 081-467-7258
LONDON

NOVEMBER 5
PREPARING FOR THE UPTURN
Lloyds Bank / ECGD / International Factors
How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Park Row from 11:30 to 14:00. Free of charge. Contact John Vaughan Tel: 0602 470999.
NOTTINGHAM

NOVEMBER 5-7
TCS&D 91
The Temperature Controlled Storage and Distribution Exhibition - and 'Food Transport in the 90's' Conference.
G-MEX, Manchester
Contact: Lorraine Rogers FMJ International Publications Ltd Tel: (0737) 768611 Fax: (0737) 761685.
MANCHESTER

NOVEMBER 6
Survive! 3rd Annual Conference
The latest news and views on the developments in the law, software and open systems. Keynote speaker: Emma Nicholson MP and examples from others of actual disaster case studies. Angela Burt, Survive! The Disaster Recovery Group.
Tel: 081-871 2546.
LONDON

NOVEMBER 6
PREPARING FOR THE UPTURN Lloyds Bank/ECGD/International Factors
How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Edmund Street from 11:30 to 14:00. Free of charge. Contact Mark Bolshaw
Tel: 021 236 5808.
BIRMINGHAM

NOVEMBER 6 & 7
The Emerging European Tax System
Keynote speakers will include Mrs Christiane Scrivener, Mrs Gillian Shephard, MP and Mr Marius van Amelsvoort. Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323
Fax: 071 925 2125
LONDON

NOVEMBER 6 & 7
Managing the Global Enterprise
A combination of speeches and workshops on the new anatomy of management, the issues that determine corporate success in managing the global business. A Conference Board Europe meeting.
Contact: *Jane Campbell.*
Tel: 322 640 6240
Fax: 32 2640 6735
BERLIN

NOVEMBER 7
The Practical Implications of the Proposed European Ecolabelling Scheme
A detailed examination of the EC Commission's Communitywide Eco-*labelling scheme due to be introduced* shortly by EC Regulation. A highly practical conference for product manufacturers, retailers, distributors and advertisers. Contact: Westminster Management Consultants Ltd
T: (0483) 740 730 F: (0483) 740 727
LONDON

NOVEMBER 7 & 8
Finance, Investment and Trade with Czechoslovakia
To review political and economic developments , opportunities for investment and business. Ministeres speaking: Dr Vladimir Dlouhy, Dr Vaclav Kl,aus, Ing Jaroslav Jurecka and Ing Ivan Miklos.
Tel: 071-925 2323 Fax: 071-925 2125
PRAGUE

NOVEMBER 11
W.D. GANN -
Breakthrough Trading
(Stocks, Options and Commodities) Seminar with the World's leading Authority on works of W.D. GANN - David Bowen. An analyst who forecasts with uncanny accuracy. Contact: Stewart D. Thallon. For free information pack. Tel: 0728 73413
Fax: 0728 73656
LONDON

NOVEMBER 11
CORPORATE TAX PLANNING FOR OPERATIONS IN EUROPE
A one day course which deals with international tax as it affects UK groups of companies which have, or are considering, European operations. Contact: Quorum Training Ltd.
Telephone: 071 388 2044
LONDON

NOVEMBER 11
Doing Business in Eastern Europe: An Insurance Perspective
at CBI Conference Centre, Centre Point, 103 New Oxford Street, London WC1A 1DU commencing 9.30 am. Sponsored jointly by international insurance brokers, Alexander Stenhouse UK ltd and Alexander Howden Reinsurance Brokers Ltd. (Details T L May CBE. Tel: 071-621 9990)
LONDON

NOVEMBER 12
Outsourcing I.T.
A Critical Assessment
The conference is specifically designed to help senior IT and business managers assess the potential value of outsourcing to their organisations and identify the factors which contribute to the successful selection and management of such arrangements. *Contact Business* Intelligence. Tel: 081 944 1591. Fax: 081 944 0332
LONDON

NOVEMBER 12&13
International Conference on Information Technology in the Workplace
Institution of Electrical Engineers
The effects of Information Technology (IT) on the individual at the workplace will be demonstrated and discussed as will the costs and benefits of IT applications at the organisational level. Enquiries to: Jo Gordon Conference Services, IEE Tel: 071 240 1871.
Fax: 071 240 7735
LONDON

NOVEMBER 14
New Developments in I.T. for the Energy Industries.
Contact Caroline Little.
The Institute of Petroleum.
Tel: 071 636 1004
LONDON

NOVEMBER 19
Latest Developments in Headache and Migraine Management
An International panel of experts will update you on the latest Migraine research. Includes talks from Glaxo on *Sumatriptan, Lehman Brothers on the* Commercial Implications of new Drug Development. Contact: Stephenie Hodder, IIR Scientific.
Tel: 071 412 0141
LONDON

NOVEMBER 19
RISKS IN BANKING -
RECOGNITION AND CONTROL
Contributors include: Geoffrey Bell, Jules Kroll, Brian Quinn, Wolfgang Rieke, Brian Smouha. Sponsors: Cityforum, Touche Ross, Wall Street Journal Europe and S J Berwin.
Contact: Marc Lee Tel: (0225) 466744
Fax: (0225) 442903
LONDON

NOVEMBER 19
RECESSION AND RECOVERY: The UK Economy in the 1990s THE HENLEY CENTRE Conference.
How rapid will the recovery be and how well positioned is the UK for the competitive challenges of the 1990s? Contact: Jacqui Gotts Tel: 071 353 9961 Fax: 071 353 2899
LONDON

NOVEMBER 19&20
FINANCIAL SKILLS FOR THE PROFIT MOTIVATED MANAGER
Practical, indepth knowledge for nonfinancial executives. A two-day course enabling you to implement financial and accounting techniques and enhance your profitability. Contact: FIBEX. Tel: 071-489 9944
Fax: 071-236 6140
LONDON

NOVEMBER 20&21
1991 National Conference on Integrated Pollution Control for the Process Industries
The economic realities of IPC regulations - the pitfalls vs the *potentials. Convert environmental* demands into financial opportunities. Contributions across the board from government and regulating authorities to environmentalists and leaders in the industry. Contact: Stephenie Hodder IIR Scientific & Technical Division. 071 412 0141
LONDON

NOVEMBER 21
Is There A Future For The Independents In th e UK North Sea?
Contact Caroline Little. The Institute of Petroleum. Tel: 071 636 1004
LONDON

NOVEMBER 25&26
IT OUTSOURCING AND FACILITIES MANAGEMENT
A review of IT Outsourcing and Facilities management in the 1990's by some of the leading experts in the marketplace. Conference Organisers: Contact: Stephenie Hodder.
IIR Scientific & Technical Division.
071 412 0141
LONDON

NOVEMBER 26
SAFETY/STANDBY VESSELS-
The New Requirements.
Contact Caroline Little.
The Institute of Petroleum.
Tel: 071 636 1004
LONDON

NOVEMBER 26 & 27
Managing Financial Risk
This workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management.
Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323 Fax: 071-925 2125
LONDON

NOVEMBER 28
ACTIVITY BASED COSTING
A one-day course at LSE intended for people who wish to consider overhead control. Organiser: Dr Miles Gietzmann. Contact Nicola Meakin. *Short Courses Office, LSE.*
Tel: 071-955 7227.
LONDON

NOVEMBER 28
ACQUIRING IN FRANCE
A comprehensive guide to the M&A differences when compared to the UK. Sponsored by: Coopers & Lybrand Europe, Slaughter and May. Subjects covered include the strategic, valuation, legal, financing and accounting issues. Contact: FIBEX. Tel: 071-489 9944
Fax: 071-236 6140
LONDON

NOVEMBER 28
LIFE AFTER THE RECESSION
One day conference on maximising company performance during economic recovery, at Gatwick Penta Hotel, near Gatwick Airport, presented by Price Waterhouse and Rawlinson & Butler. Guest speakers include John Banham, Director-General of the CBI.
Contact: Brian Quinn Price Waterhouse - 0737 766300
LONDON

NOVEMBER 28&29
KNOW YOUR COMPETITORS
Computer Intelligence & Analysis
Café Royal, 68 Regent Street, London W1R 6EL. Contact: Patricia Donnard, *EMP Intelligence Service,* Tel: 071 487 5665 Fax: 071 935 1640
LONDON

NOVEMBER 28 & 29
Doing Business in the European Union - Europe in 1996.
Perspective provided by senior practitioners, will look at issues relating to politics, economy. Environment, human resources, finance, consumers and technology in five year's time - the first of an annual series.
Contact: Robin Pedler, Templeton College. Tel: 0865 735422
OXFORD

DECEMBER 2&3
The 6th International Energy Conference. Energy Policy: market led or government-driven?
Convened by The Royal Institute of International Affairs, The British Institute of Energy Economicsand the International Association for Energy Economics. To be held at Chatham House, London. Enquiries RIIA *Conferences. Tel: 071 957 5700:*
Fax: 071 957 5710.
LONDON

DECEMBER 2-4
ASSERTIVENESS TRAINING FOR WOMEN IN BUSINESS
This seminar is designed to provide professional women with the skills and confidence necessary to operate up to their full potential. Speaker: Dorothy Leeds.
Contact: Customer Services, Frost & Sullivan Ltd. Tel: 071-730 3438. Fax: 071-730 3343. Quote Ref: 772ft.
LONDON

DECEMBER 4&5
World Telecommunications
The FT's annual conference reviews three interwoven trends changing the shape of the world telecommunications industry - privatisation, deregulation and globalisation. Enquiries: Financial Times Conference organisation.
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

DECEMBER 9
Shareholder Value Creation - A Priority for the Future
This one day course will show how Shareholder Value Analysis allows a company to identify opportunities to improve the economic performance of its individual businesses and to manage the processes by which they can be achieved.
Copntact: Quorum Training Ltd
Tel: 071 388 2044.
LONDON

DECEMBER 3
DECENTRALISING I.T. SERVICES
The Conference assesses different approaches to decentralising the provision of IT services and examines *the problems and issues involved,* including aligning IT organisation with business structure, and the need for new management processes and working practices. Contact Business Intelligence.
Tel: No. 081 944 1591
Fax No 081 944 0332
LONDON

DECEMBER 9
ACQUIRING IN SPAIN
A comprehensive guide to the M&A differences when compared to the UK. Sponsored by: Coopers & Lybrand Europe. Subjects covered include the strategic, valuation, legal, financing and accounting issues. Contact: FIBEX.
Tel: 071-489 9944 Fax: 071-236 6140
LONDON

JANUARY 21&22
Rheumatoid Arthritis - Present Studies, Future Solutions.
Updates on the origins, aetiology, pathogenesis, methods of studying and treatment of this important disease. Talks include prospects for Anti-Inflammatory treatment and an overall view of Drug therapy. Contact: Stephenie Hodder, IIR Scientific,
Tel : 071 412 0141
LONDON

OVERSEAS

OCTOBER 21-25
Environmentally Sound Energy Technologies
and their transfer to developing countries and European economic in transition. This is a most important meeting in view of the world Conference on Climate-Rio de Janeiro June 1992. For further information please contact: Organizing Secretariat, *Milan-Italy (2) 722 62352*
MILAN

OCTOBER 29
Investment in the New States of Germany
Strategic implementation of direct investments including tax & legal implications for US & Int'l investors; Government Subsidies & Tax Incentives; Seminar leads on to direct & concrete investment discussions with the authorities (Treuhandanstalt & Leipzig Chamber of Commerce & Industry). Contact: Fiona O'Neill, The American Tax Institute in Europe Tel: 071 935 7502 Fax: 071 935 6951
LEIPZIG

OCTOBER 30&31
COMPETITIVE INTELLIGENCE
Objectives. Systems. Techniques and Analysis. Seminar presented by Kirk Tyson, author of Competitor Intelligence manual & Guide. Hotel Baur Au Lac. Zurich. Also in London 4-5 November. Contact: IIB SA (Geneva)
Tel: (41) 22 788 2751
Fax: (41) 227 788 2726.
ZURICH

NOVEMBER 6-7
Second International Conference on the automotive industry and the environment
Presenting the latest developments in Traffic Policies & Management; Automotive Materials; Fuels & Emissions & Strategic Management 30 international speakers will identify ways to integrate increasing transport demands with legitimate environment concerns. Contact: Stephenie Hodder IIR Scientific & Technical Division.
071-412 0141
BRUSSELS

NOVEMBER 6&7
How to Implement the Activity Based Costing Management in Your Company
Stephane Doblin expert in ABM, will present the most important case studies of various multinationals. Alcatel, Bull + University of Heerlen will complete this practical Conference.
Contact: Ms. Bueno, IIR SPAIN
Tel: 34.91.531.98.07. Fax: 34.91.521.40.06.
MADRID

NOVEMBER 6-8
14th Annual Congress New Developments in US-European Taxation
Senior speakers from US Congress, Treasury Department & IRS will be *joined by top-level tax practitioners* in Europe to update and discuss current issues affective trans-Atlantic business.
Contact: Fiona O'Neill, The American Tax Institute In Europe, London. Tel 071 935 7502
Fax: 071 935 6951.
CANNES

NOVEMBER 12-14
INTERMODAL 91
An international event for everyone in containerisation and combined transport. Comprises three dedicated conferences; Intermodal Europe, the Container Conference and ReeferTrans, and featuring the Intermodal Exhibition, Europe's biggest ever display of combined transport, container and intermodal equipment and services. Contact: CS Publication on Tel:. 081-330 3911 or Fax. 081 330 5112
BERLIN

NOVEMBER 13-15
XTRA '91
The World Congress on Open Systems
provides information, education and detailed discussion on the developing world markets for open systems. Speakers include Paul Strassmann of the US Department of Defence and Dr A Frederick Fath of Boeing. Congress hotline Tel: 0101 416 594 2035 or call X/Open on 0734 508311.
WASHINGTON

NOVEMBER 14-15
Technology Co-Operation to Match Global Competition. 2nd European Sprint-Eacro Conference
speakers from the CEC governments, industry and research organisations will examine how Europe could make better strategic use of technology and research *funding. Enquiries Carol Jopling*
ERA Technology Ltd (UK)
Tel: +44 372 374151 Fax: 44 372 374496
SEVILLE

NOVEMBER 15
FRANCE MEANS BUSINESS
One day seminar in English covering main aspects of investing and business in *France, organised jointly by Franco*-British and Paris Chambers of Commerce. Speakers include D. STRAUSS-KAHN, Trade and Industry Minister, senior government officials, British and French managers working in France. Contact: Elisabeth Cherdal.
Tel: (1) 45 05 13 08
Fax: (1) 45 53 02 87
PARIS

NOVEMBER 19-20
AEROSPACE IN THE 1990S - COMPETITION, COOPERATION AND CONSOLIDATION
What are the world aerospace industry's options in a drastically changed business environment? Conference organised by Aerospace World and Booz, Allen & Hamilton. Contact: Clive Rigden, Aeronautica Communications. London Tel: 44 (71) 224 4647
Fax: +44 (71) 224 4961
GENEVA

NOVEMBER 19-21
Business & Investment Opportunities in Eastern Europe: Regional and Industry Perspectives.
PlanEcon, Inc., DRI/McGraw-Hill conference co-sponsored by Czech Ministry of Industry on East European business prospects and investment climate. Contact: Corinne Redonnet on 081 545 6212
PRAGUE

NOVEMBER 20&21
Spain's Role in the New Europe
Senior government, banking and industry figures will review the new economic and industrial order in Europe, and the role of Spanish *industry.*
Enquiries: Financial Times Conference Organisation.
Tel: 071-925 2323
Fax: 071-925 2125
MADRID

NOVEMBER/DECEMBER
FOREIGN PRESENCE *WITHOUT FOREIGN TAX*
Speaker BARRY SPITZ, Consultant, Professor of International Tax Planning STRUCTURING MULTINATIONALS (Frankfurt - Oct 25; Stockholm - November 27; London - December 2) TAX HAVENS (Amsterdam - Oct 24; Geneva - November 25; Paris - December 4/5) Organisers ILTI GENEVA tel (41-22) 641385 fax (41-22) 642864.

DECEMBER 2-3
Environment Protection Conference Strategic and Competitive Implications for the Chemical Industry
Senior executives from Europe and the USA analyse the challenges and opportunities in developing constructive solutions to current environmental problems. Organisers: Chemical Insight European Chemical News, Booz Allen & Hamilton & IIR. Contact: Stephenie Hodder IIR Scientific & Technical Division, on 071-412 0141
BRUSSELS

JUNE 1-5 1992
25th ISATA: International Conference on Zero Emission Vehicles - The Electric/Hybrid and Alternative Fuel Challenge.
World experts make presentations on Electric Vehicle, Alternative Fuel and Hybrid Vehicle Technology. Solar Powered, Battery Powered and Natural Gas Vehicles are also evaluated together with current safety and emission performances.
Contact ISATA on Tel: 081-681 3069 or Fax: on 081-686-1490.
FLORENCE

EXHIBITIONS

OCTOBER 29-30
BIRMINGHAM PACKAGING PLUS
An exhibition of packaging equipment, materials, creative design and services, being held at the Warwickshire County Cricket Ground, Edgbaston. For complimentary tickets and catalogue please contact organisers direct on 081 668 9229.
BIRMINGHAM

OCTOBER 31-NOVEMBER 1
GAS TURBINE EXHIBITION & CONFERENCE
Harrogate Conference Centre
The latest developments on Gas Turbine design, Management and Maintenance for consultant engineers, operators and users. Eleven expert papers by manufacturers and repair & maintenance specialists. Sponsored by the IDGTE. Tel: ID Exhibitions on 0895 622233 for brochure.
HARROGATE

NOVEMBER 5-7
DESKTOP CAD EXHIBITION
Learn about the benefits that CAD technology can bring your business. FREE SEMINAR programme each day of the show. Meet the UKs leading suppliers of total solutions for the PC, Mac and Workstation environment, Alexandra Palace.
Contact Lynne Davey for tickets at Blenheim Online on 081 868 4466.
BIRMINGHAM

To advertise in this section please call Dominic Morgan on 071 407 5752

ARTS

ARCHITECTURE

Create a place, not a pile of houses

Colin Amery decries 'Edge City' and welcomes plans for Poundbury

ANYONE driving around England can see the spread of creeping nastiness around our country towns. Government preference for road building has led to the phenomenon of indifferent in-fill between the new by-pass and the town and the spread of the out-of-town shopping development on land left over by motorways. In the US a new term has already been coined for this kind of development – "Edge City". The characteristics of this successor to the downtown, the suburb and the mall are widely spaced offices, shops, garages, houses and drive-in eateries, all spread amongst a thin layer of neglected greenery.

Britain, with its complex and sometimes crazy planning system, has avoided the worst of that sort of commercial sprawl. But a penchant for suburbia, and for making every street wide enough to turn a fire engine, has led to the soulless, repetitive housing estates that are so drearily familiar. Much of Britain's post-war development has been ruined by well intentioned regulations or by the kind of architectural arrogance that created tower blocks that can damage your health. Planning has also encouraged a way of thinking that wants to separate everything. Living, working, playing and learning are all to be followed in different places – despite the fact that we really do not choose to live that way.

I was impressed some years ago with a simple diagram by the urban theorist Leon Krier. He showed a slice of fruit cake with a mouth watering selection of every kind of fruit in the one slice. He then showed the ingredients spread separately in little individual heaps. There was no doubt about which arrangement was the most appetising and desirable. It is the same with towns. They work and look better when they are quite densely planned and have urban, rather than suburban qualities.

And so to Dorchester where the denizens of the town wanted to expand it by building on land to the west. This land, known as Poundbury, belongs to the Duchy of Cornwall. The Duke of Cornwall is not unknown for having views about the way his Duchy should look; and he has become very well known as Prince of Wales for his views on the nature and appearance of his future kingdom.

Last week the Duchy of Cornwall submitted a detailed planning application for the first 18 acres of its scheme for development of Poundbury. This comes some two years after the announcement at a large public meeting in Dorchester of a masterplan for the development prepared by Leon Krier. The combination of the ideas of this great theorist, who is an ardent campaigner for the re-urbanisation of cities in Europe, and the fervour for environmental improvement manifested by HRH The Prince of Wales, promises well.

When it comes to development, owning the land always helps, but was there a danger that the Duchy of Cornwall's special Treasury procedures and a certain lingering feudalism could scotch innovation? Two important factors have ensured that this will not happen.

Throughout the last two years West Dorset planners and architects have been enthusiastic supporters of changes that will allow experiment, and enable Poundbury to be a model for other new developments. The Duchy has also wisely formed a distinguished development team masterminded by Andrew Hamilton (who developed Richmond Riverside), and Alan Baxter and Associates as consulting engineers.

The most appropriate comment made last week as the plans for the first phase were announced in Dorset was from the West Dorset county architect, David Oliver: "Architects for the past 40 years have done nothing but destroy much of the landscape by putting up buildings that are alien. We are creating a place, not just a pile of houses." It is place making that is the most difficult thing to achieve. But if the perspectives and artists impressions that are on view in the current exhibition of plans in Dorchester are anything to go by, Poundbury is going to be pleasing, familiar, and in the Dorset style.

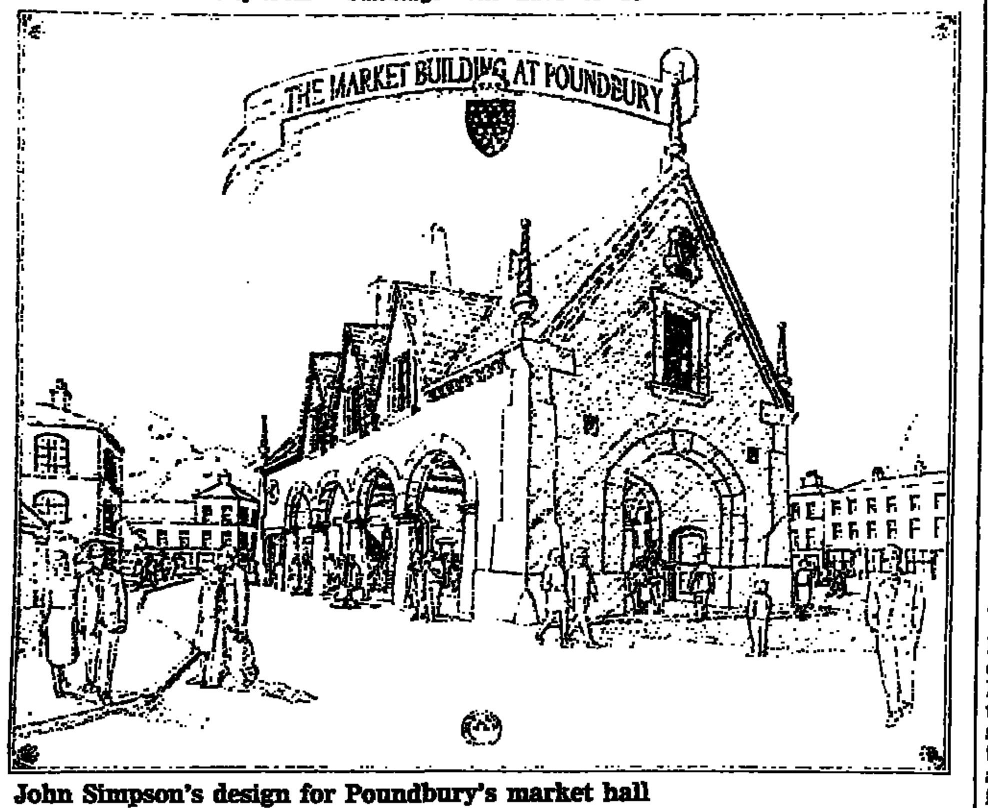
It is probably misleading to judge Poundbury entirely by these imaginary views. But the important new elements are clear from the plan and have been fought for very hard. Most important is the road pattern, which ends once and for all the suburban tyranny of the road engineer.

Mixed development is the key to Poundbury, although in the revised proposals the scheme has responded to public pressure and made sure that workshops and houses are not such close neighbours as they were. The density of some 15 dwellings to the acre is likely to be achieved with parked cars hidden for the most part in courtyards. Every house has a garden and all services can be brought in to the rear of the houses rather than under front pavements. All buildings will have to be "green" and pass the Governments's new environmental standards test. One fifth of all the new houses (there are 244 homes in the first phase) will be low cost and will be provided by housing associations, with the Guinness Trust being the first to be signed up.

Control over design is a delicate business. A panel will continue to review all aspects of the design after the Duchy has sold the plots. Some detailed design packages will be sold, like the market hall by John Simpson and the offices by Demetri Prphyrios. Leon Krier's landmark tower will be built by the Duchy using masonry trainees from the Prince of Wales's Summer School. While the style of the new town is expected to be vernacular, it is perfectly possible for any design to be built as long as it follows the principles of the design guidelines.

Assuming planning permission is granted, work could begin the middle of next year. The ideas will only be proven by the actual building – but the transformation of basic planning ideas achieved by Krier, his clients and the planners is already a very promising start.

Colin Amery is a member of the Duchy of Cornwall Commercial Property and Development Committee.



John Simpson's design for Poundbury's market hall

Aida, in Vittorio Rossi's production, which was first shown at Earl's Court in 1988 Alastair Muir

Aida

NATIONAL INDOOR ARENA, BIRMINGHAM

OPERATIC gigantomania arrives in Birmingham. For its very first artistic event the brand-new National Indoor Arena is playing host to ten performances of *Aida* in the production by Vittorio Rossi first shown at Earl's Court in 1988. The venue, capable of seating 13,000, is efficiently designed, well-equipped; on Saturday, the citizens of Birmingham turned up in decent number, and a good time seemed to be had by many of them including a sizeable number who (from the evidence of the applause) were attending their first-ever opera.

One wishes them, and the venture, well. In staging terms, this is undeniably a spectacular, cast-of-hundreds show; but in truth its vocabulary of action is very rudimentary and in any case, is this sort of spectacle really apt to *Aida*? The basic set, a monumental stepped ramp with quickly-moveable columns, allows platoons to march up and down in variable formation (not absolutely tidy at this opening performance), while glittering gold banners, head-dresses and shields are arranged and re-arranged to catch the light.

In the opera's public scenes, what with pink-clad ladies waving feather-fronds, and all sorts of other props and diversions arriving and departing on schedule, the mixture of Royal Tournament and London Palladium showbiz techniques is neatly achieved, and carries its own appeal. But the same small handful of knock-'em-dead tricks have to be worked over and over again; and in any case, the truth about *Aida* is that by far the larger number of its scenes deal with intimate confrontation between carefully defined and distinguished leading characters.

In this sense, the Rossi staging is centrally inert. The emotional drama unfolds a great distance away from most people's seats, and it does so entirely by means of colour-coding (Aida in blue, Amneris in gold, and so on), semaphore, and clichéd routine. The dependence on the power of the music relayed via amplification which from my seat seemed much constrained in power and directionality is far greater than in an ordinary opera-house *Aida*. For the most part the musical performance did the opera small justice.

The choral singing passed muster, just about; the orchestral playing by a scratch group called the National Symphony Orchestra was often woefully inaccurate, ill-tuned, threadbare. Yury Simonov, the distinguished former Bolshoy conductor, seemed on this showing a Verdian either defeated by the vagaries of his forces or else one of very limited stylistic understanding.

Saturday's principals the casts vary for the ten evenings were all veterans of the international operatic scene; the long experience of the Amneris, Bruna Baglioni, appears not to have taught her how to sing consistently in tune or in time.

The best things about the performance were the still strong, dignified, unaffectedly expressive Radames of Carlo Cossutta and the commandingly eloquent Aida of Grace Bumbry, who sounded in fresher voice (apart from her struggles with an elusive top C) than for many a long year. I hope those Brummies who derived pleasure from this *Aida* will one day be permitted the opportunity of encountering a "real" production, fully worked, fully alive to the work's many qualities and possibilities. They really will be knocked dead.

Max Loppert

Luther Vandross

MADISON SQUARE GARDEN, NEW YORK

THIS has been the time to be in New York if you like great voices. Tony Bennett at the Blue Note, Mel Tormé at Michael's Pub, and, in considerably less intimate surroundings, Luther Vandross at Madison Square Garden.

Millions of dollars have been spent on refurbishing the Garden, but even on a glitzy night like this no amount of pastel paint can disguise it's true identity as a sports arena. A more inappropriate venue for enjoying a voice as sensuous as Vandross's would be hard to find, but the Garden is the kind of place that the singer likes to take his show.

And what a show. With its grandiose stage, Hollywood staircase, glamorous backing singers and enough sequinned costumes to satisfy a Las Vegas crowd at Christmas, Vandross serves up entertainment with a capital E. Fortunately, he has a talent that transcends hangar-like surroundings and tacky routines.

From a weighty baritone to a gossamer tenor, Vandross's voice has a luxurious quality unmatched in contemporary soul or pop music. The light show, the stage, the songs, even the sequins were outshone by the voice.

Typical of the Vandross style is his habit of taking a word or a simple phrase and making a song of it. In one of his most popular ballads, Leon Russell and Bonnie Bramlett's "Superstar", he picked up the line "Loneliness, take it from me, is such a sad affair," stretched it out with his warm tones and rich, autumnal colours, and slowly teased an aching sense of loss from each word. After his voice had descended back to earth, the silence was filled by the sound of 5,000 women exhaling in a long, shared sigh.

The show lost its way on the uptempo numbers. The brisk funk-soul of Vandross's studio recordings gave way to a heavy-handed, plodding thump that crushed the life from the normally bouncy "Never Too Much" and the high-stepping "Give me the Reason".

Happily, the heart of the performance was devoted to the love songs. No-one could have bettered a volcanic reading of the Bacharach and David classic "A House is Not a Home", where band-leader Nat Adderley's spacious arrangement gave the singer all the room he needed.

Stepping a pace back from the microphone, the giant Vandross opened his lungs, filled every corner of the hall with sumptuous sound, and brought the house down.

Patrick Harverson

Masur and the New York Phil

AVERY FISHER HALL, NEW YORK

Kurt Masur, the new music director of the New York Philharmonic, has conducted three programmes so far this season, each of them four times for subscription audiences (and two big works from them, Bruckner's Seventh Symphony and *Peer Gynt*, for a fifth time at childrens' concerts).

His first concert was neither here nor there. It began with some slight American music – John Adams's *Tromba Lontana* and *Short Ride in a Fast Machine*, and the second set of Copland's Old American Songs (very well sung by Thomas Hampson) – which seemed dangerously like "token representation." Later in the season Masur conducts Barber's Cello Concerto and Ellen Taaffe Zwilich's Flute Concerto, neither of them exactly challenging American compositions. But Masur has said that he would like to conduct Elliott Carter and Roger Sessions. This season was largely planned before he took over; next season will carry his stamp and show his tastes more clearly.

The Bruckner 7 that ended the concert was decent but unremarkable; Masur was the sound, rather heavy Kapellmeister that Andrew Clements had described in these pages the week before when with his other orchestra, the Leipzig Gewandhaus, he conducted a Beethoven cycle in Birmingham. It was the second concert that set people talking. Grieg's *Peer Gynt* is a Masur speciality; with the Gewandhaus he has recorded the same concert version, threaded with a narrator who plays Peer in the melodramas. His theatre years – four of them as Felsenstein's conductor – tell. I didn't know that Grieg's score – especially the awesome encounter with the Boyg – could be so dramatic.

The Philharmonic sounds like a new orchestra. We knew that it was an assemblage of first-rate players, but in the Mehta years its playing became hard, uncommitted, undevoted. People – by which I mean the musical people I know – just stopped going; I went only when there was some new work that called for review. But now people are going to the Philharmonic again. For Mitropulos it once played with fire, for Boulez with accuracy, and for Bernstein with warmth. But not since its concerts under Bruno Walter – a long time ago – have I heard it play with such delicacy, such care, such love. Morale is high.

I am writing this in the glow of the third concert: Schnittke's First Cello Concerto, with that marvellous player Natalia Gutman, for whom it was composed, as soloist, and the "New World" Symphony. A wonderfully exhilarating "New World"! The night before, the Bamberg Symphony, conducted by Christoph Eschenbach, had played the "New World" in the same hall. They gave a finicky performance and also an absurd one, because the brasses and the drums kept drowning the strings. The Philharmonic performance flowed, with plenty of rubato but no finickiness, with warmth and colour that gave delight. Masur let the orchestra play, and play they did – but he was with them, shaping and balancing.

Avery Fisher Hall used to sound acoustically brutal. Masur took simple steps: he tiered the orchestra; he moved the double-basses from their lop-sided station on the right to form a firm foundation along the back; he pulled the brasses away from the reflecting walls, and they no longer glare and blare. He placed diffusing screens down the sides of the platform, and now we get balanced sound, not full-frontal assault. (Bamberg stuck to the old arrangement, with deplorable result.) In the Philharmonic's new glory, physical factors and the crack players' response to a musician they admire and helped to choose conspire.

New York's musical conservatism defeated Mahler, and it defeated Boulez. With Masur, a new Philharmonic round begins. His remaining programmes this season are largely conservative: Mozart's last three symphonies, the Eroica, Brahms 2, Mahler 1, Bruckner 8, the Sibelius Violin Concerto (with Nige as soloist). But perhaps with them he will win a trusting audience that doesn't stomp out when he conducts Sessions, Carter, Babbitt, Wuorinen.

Andrew Porter

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

MUSIC

Staatsoper unter den Linden 19.30 Fabio Luisi conducts Il barbiere di Siviglia. Tomorrow and Fri: Falstaff. Thurs: The Taming of the Shrew, ballet by John Cranko. Thurs: Il trovatore. Sat: Ariadne auf Naxos. Sun: Die Meistersinger von Nürnberg (East Berlin 2004 762)

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Die Entführung aus dem Serail. Tomorrow: Die schweigsame Frau. Thurs: Der Freischütz. Fri: Georg Katzer's new opera. Sat: Cav and Pag. Sun: Le nozze di Figaro (East Berlin 2292 555)

Deutsche Oper 19.30 Franz Welser-Möst conducts Götz Friedrich's production of Aida, with a cast including Galina Kalinina, Leo Nucci and Giorgio Lamberti, also Sat. Tomorrow and Fri: Die Zauberflöte. Wed: Tosca. Thurs: Liza Minelli in concert. Sun: Lohengrin (West Berlin 3410 249)

Schauspielhaus 19.30 Irina Troupova and the Berliner Consort in a programme of songs by John Dowland, William Byrd and William Brade (East Berlin 2272 261)

THEATRE

East Berlin: this week's repertory at the Berliner Ensemble includes Galileo Galilei tomorrow, The Caucasian Chalk Circle on Sat and The Good Person of Sezchuan on Sun (2827 712). The Deutsches Theater has Ionesco's The Bald Prima Donna on Thurs and Peer Gynt on Fri (2871 225), with a new single-evening adaptation of Shakespeare's Henry VI at the Kammerspiele tomorrow (2871 226).

West Berlin: the Schaubühne has Kleist's Amphitryon tomorrow and Wed, with a new production of Arthur Schnitzler's The Lonely Road (1904) on Thurs, Sat and Sun (890023). The Schiller Theater repertory includes Lessing's Minna von Barnhelm tonight, tomorrow and Sun, and Goethe's Faust Part One on Sat (3195 236). The Renaissance Theater has Peter Shaffer's Amadeus directed by Gerhard Klingenberg, daily till Oct 29 (3124 202).

■ BUDAPEST

This week's events at the Academy of Music include a programme of string quartets played by the Bartok Quartet tonight and two gala concerts (tomorrow and Wed) marking the 180th anniversary of the birth of Liszt. In the first, Ken-Ichiro Kobayashi conducts the Hungarian State Symphony Orchestra and the Army Male Choir, and the second is conducted by Adam Medveczky, with the Budapest Philharmonic Society Orchestra and the Hungarian State Chorus. The State Opera has performances of Erkel's patriotic opera Bank ban tomorrow, Britten's Albert Herring on Thurs and Cosi fan tutte on Sun. The Erkel Theatre has Hungarian-language performances of Madama Butterfly tomorrow and La Gioconda on Thurs. Pre-booking at Philharmonic booking office, Vorosmarty ter 1, and central theatre booking office, Andrassy ut 18.

■ GLASGOW

This week's events at the Royal Concert Hall include Trevor Pinnock and the English Concert in a baroque programme tonight, the Scottish Chamber Orchestra in a Mozart programme conducted by Charles Mackerras on Fri and the Royal Scottish Orchestra conducted by Neeme Jarvi on Sat (041 227 5511). Scottish Opera presents its new production of Die Walküre at the Theatre Royal on Thurs (041 332 9000)

■ THE HAGUE

Dr Anton Philipszaal 20.15 David Porcelijn conducts the Nieuw Ensemble in works by Pierre Boulez, Magnus Lindberg and others. Wed: Schoenberg Ensemble plays music by Mahler and Wolfgang Rihm, with Anne Gjevang contralto. Fri: Alexey Lyubimov plays Mozart's Piano Concerto No 27 with the Collegium Europae. Sat and Sun: Residentie Orchestra plays Rakhmaninov, Dvorak and Smetana (3609 810)

■ LONDON

Royal Festival Hall 19.30 Mohammed Reza Shajarian gives a concert of Iranian classical music. Tomorrow: The Michael Nyman Band. Wed: Oliver Knussen conducts the BBCSO. Thurs: Marriner conducts the ASMF. Fri: Maurizio Pollini. Sat: Elgar Howarth conducts Ligeti and Janacek. Sun: Vienna Boys Choir, also Ashkenazy conducts the RPO (071-928 8800)

Queen Elizabeth Hall 19.45 Ross Pople conducts music by Malcolm Arnold, in a concert celebrating the composer's 70th birthday. Tomorrow: Mozart and Beethoven concert. Wed: concert performance of Thomas Linley's farce The Cady, with cast including Robert Tear. Thurs: John Casken's Golem. Sun: Alban Berg Quartet (071-928 8800)

Barbican This week's events include a concert with the LSO conducted by Colin Davis on Thurs, plus a concert by the CBSO under Simon Rattle on Fri, when Alfred Brendel will play two Beethoven Piano Concertos (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Luciano Berio conducts the Orchestra of La Scala in four works in which 20th century Italian composers have arranged music from previous centuries, including Berio's arrangements of Verdi songs, with Jose Carreras. repeated on Wed. Tomorrow: John Cranko's production of Romeo and Juliet. Thurs and Fri: Cranko's ballet The Taming of the Shrew. Sun: Frank Peter Zimmermann plays violin sonatas by Prokofiev (7200 3744)

■ MUNICH

Staatsoper 19.00 Bavarian State Ballet in Peter Wright's production of Sleeping Beauty. Tomorrow and Fri: Michel Plasson conducts Robert Carsen's production of Lucia di Lammermoor, with Edita Gruberova and Francisco Araiza. Wed: Elektra with Hildegard Behrens and Christa Ludwig. Thurs, Sat and Sun: John Cranko's The Taming of the Shrew (221316)

Philharmonie 20.00 Emmanuel Krivine conducts the Orchestre National de Lyon in Brahms' Academic Festival Overture, two suites from Bizet's L'Arlesienne, the second suite from Ravel's Daphnis et Chloe and Brahms' Double Concerto with Kyoko Takezawa and Antonio Meneses. Thurs: Bach Collegium plays music by Telemann, Leclair and Boccherini (48098 614)

Herkulessaal der Residenz 20.00 Virtuosi Saxoniae in a programme of music by Bach, Telemann and Zelenka. Tomorrow: Sabine Meyer plays Mozart's Clarinet Quintet. Wed: song recital by Thomas Hampson. Fri: Mozart's Mass in C minor (299901)

Kammerspiele 19.30 Molière's Don Juan directed by Hans-Joachim Ruckhäberle. Wed: Ibsen's The Lady from the Sea directed by Thomas Langhoff. Thurs: Goethe's Stella (23721 328)

■ NEW YORK

Carnegie Hall 20.00 Arleen Auger and Murray Perahia join the Vermeer String Quartet and Harold Wright clarinet for an evening of Mozart chamber music. Tomorrow: Warsaw Philharmonic Orchestra. Sat: Seiji Ozawa conducts a concert performance of Pique Dame, with a cast led by Mirella Freni, Vladimir Atlantov, Sergey Leiferkus and Dmitry Hvorostovsky (247 7800)

Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with a cast including Peter Dvorsky and Sumi Jo, also Sat evening. Tomorrow and Fri: Die Zauberflöte. Wed and Sat matinee: La fanciulla del West. Thurs: first night of John Copley's new production of L'elisir d'amore with a cast led by Luciano Pavarotti and Kathleen Battle (362 6000)

■ VIENNA

MUSIC

Staatsoper 19.30 Bruno Weil conducts Fidelio with Gabriela Benackova as Leonore, also Fri. Tomorrow: Mara Zampieri sings Tosca. Wed: La traviata. Thurs and Sun: Die Frau ohne Schatten. Sat: Die Zauberflöte (51444 2960)

Konzerthaus 19.30 Elgar Howarth conducts the English Northern Philharmonia in Messiaen's L'Ascension and Harrison Birtwistle's The Journey (from Gawain) and Endless Parade, with Hakan Hardenberger. In the Mozart Saal tonight and tomorrow, the Alban Berg Quartet plays quartets by Mozart, Janacek and Brahms, in concerts celebrating its 20th anniversary. Tomorrow: Frans Brüggen conducts the Orchestra of the Age of Enlightenment. Wed: Wynton Marsalis and Band. Thurs: Messiaen's Turangalila Symphony. Sat: Schoenberg Ensemble. Sun: Michael Gielen conducts Dvorak and Mendelssohn (7124 6860)

THEATRE

This week's repertory at the Burgtheater includes a new production of Samuel Beckett's Waiting for Godot, directed by Cesare Lievi and designed by Peter Laher (first night on Wed, also Thurs and Fri). Ibsen's An Enemy of the People can be seen on Sat and Sun. Tonight's performance at the Akademietheater is Botho Strauss' Schlusschor, directed by Hans Hollmann (51444 2218)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International. Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1830, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
1940-2000 Inside Business

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday October 21 1991

Accepting the lesser evil

TO HEAR the anguished cries of the Israelis – and some of the Arabs – as they are dragged to the conference table in Madrid by Mr James Baker, the US secretary of state, one might assume that the long-awaited Middle East peace talks are being convened at a most inauspicious moment. In fact the need for negotiations has rarely been more pressing or the time more opportune, although it goes without saying that a settlement to the Arab-Israeli conflict is still a distant objective.

Israel's anguish has been more vocal than that of the other participants, but it has the least to complain about. The meeting in Madrid on October 30 is not the United Nations-sponsored international conference – with powers of enforcement – which the Arabs always wanted and the Israelis always feared. It is a ceremonial gathering to be followed by bilateral discussions of the kind long sought by Israel itself, and virtually every Israeli demand relating to the talks has been accommodated. The Soviet Union has restored full diplomatic relations with Tel Aviv, the UN has been left on the sidelines, and Israel has not been obliged to halt the settlement of Jews on occupied Arab land.

Israel's main complaint is of its own making: having demanded and won the right to exclude members of the Palestine Liberation Organisation and Arab residents of east Jerusalem from the Palestinian-Jordanian delegation, Mr Yitzhak Shamir's ministers now express surprise and horror when they find that the Palestinian delegates not only profess allegiance to the PLO (which, in spite of its many faults, is still the principal body representing Palestinians) but also demand that Jerusalem stay on the agenda.

Special treatment

Israel's claim to special treatment from the west becomes more threadbare with every day that passes. The country is discovering that its status as "America's only reliable ally in the Middle East" is less valuable, and less convincing, than it was during the cold war. At the same time the argument that Israeli forces should continue to occupy the West Bank to ward off an Arab attack has been undermined by the advent of the missile age and Iraq's use of Scud attacks against Tel Aviv during the Gulf war. In persuading Mr Shamir to talk to the Arabs now – while they are chastened by the disintegration of the Soviet Union, their erstwhile ally, and by the Gulf war defeat of Iraq, their self-styled champion – Mr Baker is trying to save Israel from itself.

The Arabs will undoubtedly be negotiating from a position of weakness, but that should not discourage them. Their weakness, after all, is partly a result of their belligerence and their refusal to accept the reality of Israel's existence since its foundation in 1948. While Arabs have repeatedly shunned the chance to negotiate, Israel has been building Jewish settlements in east Jerusalem and the West Bank – a process which Mr Shamir hopes will be irreversible.

Fellow victims

For Arab governments too, this a good time to make a deal. The Gulf war overrode many taboos. Kuwaitis and Saudis were heard to sympathise with the Jews who became their fellow victims at the hands of Iraq, and Israeli officials were seen for the first time expounding their views on satellite television in Bahrain. But much work remains to be done. There was a strong element of hypocrisy in the announcement by Mr Farouq al-Sharaa, the Syrian foreign minister, that he would not shake the "guilty" hand of his Israeli counterpart at the peace conference. The ruling Syrian Baath party has spilt plenty of Arab and Jewish blood without any help from Israel.

As Arabs and Israelis prepare for this most important of peace conferences, they would do well to remember the words of Machiavelli. "No government should ever imagine that it can adopt a safe course of action; rather, it should regard all possible courses of action as risky," he wrote. "Prudence consists in being able to assess the nature of a particular threat and in accepting the lesser evil." In the Middle East today, the greater evil is to fight; the lesser is to talk.

How green is my directive

THE ROW between Mr Carlo Ripa di Meana, the EC environment commissioner, and the UK government over the environmental effects of big transport projects, like the M3 motorway and the Channel tunnel link, is a morality play of misunderstanding.

Its origin lies in a directive, unanimously agreed by EC environment ministers in 1985, requiring large public- and private-sector projects to be accompanied by a published assessment of environmental impact. At the time, such rules were seen as being consistent with the search for a "level playing field" of industrial and economic competitiveness between member states. More broadly, since all Community citizens benefit from a healthy environment, it can be argued that the Commission should have a bigger role as green policeman. More narrowly, Britain did not mind the directive, since it already made provision for environmental impact assessments.

The news, however, that Mr Ripa di Meana had sprung to the defence of the ancient burial mound of Twyford Down awakened two tub-thumping responses. One ranted that Brussels (not to mention, an Italian in Brussels) should keeps its hands off England's green and pleasant land. A second, strongly felt among the groups protesting against the projects in question, but echoed by opposition politicians, was: "It comes to something when the Brussels Commission apparently cares more for our environment than our own British government." The precise words are those of Mr Paddy Ashdown, the leader of the Liberal Democrats.

Personal note

Tub-thumpers, however, must reluctantly acknowledge that Commissioner di Meana is doing no more than acting as a vigorous bureaucrat. His letter to Mr Malcolm Rifkind, the transport secretary, is one of dozens fired off every month by the Commission as it sifts through national laws and regulations, to see whether they have faithfully written into national statute books the terms of a given EC directive. Similar letters have been sent on the subject of environmental assessments to other member states. Slightly more unusually, Mr di Meana also sent a personal note to Mr Rifkind, asking him to hold back the excavators, pending resolution of an essentially legalistic dispute. It may be that this second note, which has no legal force, will be used by protest groups in the UK courts to try to stop some projects.

It would not be wise in these circumstances to draw mighty conclusions. But a handful of observations suggest themselves.

The first is that those who fear the extension of the Commission's influence into matters which ought to be left to national or even sub-national levels of government – the level playing field argument is capable of almost boundless application – should realise that the Commission's ability to extend its reach derives invariably from powers conferred upon it by the Council of Ministers. This underlines the importance of achieving, via the Maastricht negotiations, more transparency in the functioning of ministerial councils.

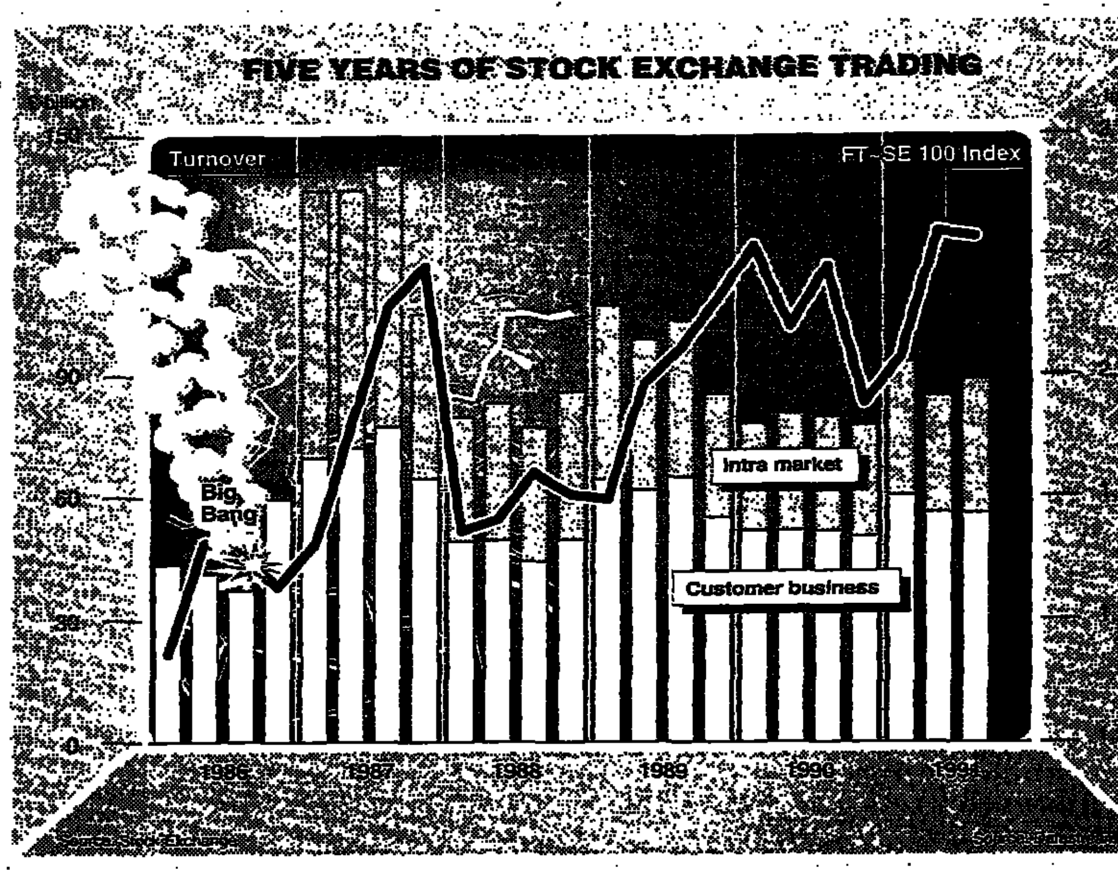
Significant loopholes

Second, when these agreed directives come to be transposed into national law, the process attracts little public or even parliamentary attention, since we are dealing with *faits accomplis*. This is unhealthy, since the transposition process can lead to significant loopholes. In the case at hand, the Commission says that Britain's version of the directive fails to insist that environmental assessments be recorded in writing, gives the authorities too much leeway to exclude projects from assessment and does not cover bodies benefiting from crown immunity.

The third moral is that Community-level activists in Britain are sometimes discovering that they are better able to express and pursue their local interests via Brussels than they are at the national political level. MPs who fear the marginalisation of Westminster as European unity increases should recognise that part of the explanation for this process lies in the excessive centralisation and remoteness of national political power in the UK.

As the anniversary of Big Bang approaches, **Richard Waters** examines London's transformation into a global market place

Revolution at a cosy British club



Five years ago, the main board of the US's most powerful broking firm gathered in London for the first time. The directors of Merrill Lynch, the famed "thundering herd", had come to see a dream turn into reality: London was to take its rightful place as the world's third great financial centre after New York and Tokyo, becoming the European base for a round-the-clock investment market. It was to happen almost overnight, with a Big Bang.

Last week, Mr Dan Tully, Merrill's president and chief operating officer, was in London on a more modest mission, to rally the troops and show his face to valued customers. Merrill has a substantial presence in the securities and investment banking markets – employing more than the 1,000 staff it had in London in 1986. But the euphoria that surrounded the Big Bang reforms of the UK stock market five years ago are a distant memory.

"The exuberance showed by US firms certainly did not turn into reality," Mr Tully says now. "There were so many people that entered the market that the margins were not only skinny, they were non-existent."

Like many, Merrill believed it could achieve a dominant position in the domestic UK equity and government bond markets, which were thrown open to all-comers in the autumn of 1986 – though, unlike many rivals, it did not pay out enormous sums to acquire an existing broker or jobber.

Merrill's ambitions proved illusory. However, five years after the biggest upheaval in the history of London's financial markets, a securities industry is starting to take shape that mirrors some of the original hopes for Big Bang. As Mr Tully says of Merrill's experience: "It did not detract from our long-term commitment. We continue to grow in London."

The Big Bang reforms, which came into effect on October 27 1986, were the most visible sign of the transformation of London's position in the investment markets from a privately-owned, cartelised industry to a global player. Other forces were also at work, and probably had a greater impact – the increasing international movement of capital, for instance, and the long bull market, which by 1986 had created euphoria in the City. But Big Bang became the focal point.

The reforms of 1986 boiled down to three rule changes at London's Stock Exchange. The system of minimum commissions, which gave many stockbrokers a comfortable income, was to end. The forced division between stockbrokers, who acted as agents for investors, and jobbers (now called market makers), who traded as principals with brokers or other jobbers, disappeared. And banks and other outsiders were allowed into the brokers' world.

At the same time, the Stock Exchange developed an automated price quotation system, SEAQ, on which market makers could display the prices at which they would buy and sell shares. The stock market thus vanished from the floor of the exchange and became a telephone market, conducted from the offices of the newly-created broker/market makers.

Once the market was thrown open, the stampede into UK equities and gilts (government bonds) was deafening. Part of the intention of Big Bang had been to open the market up to new capital, to bolster the paltry financial base of the jobbing firms. Yet investment and commercial banks from around the world which lent their financial muscle ended up committing far more capital than could ever earn an adequate return.

At first, it seemed that the new stock market might reward its new inhabitants. Share trading leaped as the bull market soared towards its peak in the summer of 1987. At the same time, trading between the new market makers mushroomed as new entrants put spare capital to use, trading between themselves in pursuit of profit. Yet the stock market crash a year later, in October 1987, ended all that when investors' confidence evaporated and trading activity slowed sharply. Trading volumes, as the chart shows, have never recovered.

In the first nine months of 1987, securities firms in London made £400m profit between them. That had been wiped out by the end of the year by the autumn crash. Ever since, occasional returns to profitability have been overshadowed by new lurches into the red – until this year, that is, which has been a good one for most in the industry. Last year, the worst on record, London firms lost a combined £350m.

US banks were the most ambitious, and made the biggest mistakes. Commercial banks like Citicorp, Chase Manhattan and Security Pacific, and investment banks like Shearson Lehman (now Lehman Brothers), bought established names in the UK broking world: Scrimgeour Vickers, Simon & Coates, Hoare Govett, L Messel.

These four banks paid hundreds of millions of pounds between them in goodwill to enter the UK market and absorbed hundreds of millions of pounds in losses afterwards. All have since retraced their steps in part or completely. The latest to go, Security Pacific, had intended to retain a holding in Hoare Govett, but only this month decided to sell its entire stake.

The problems emanate both from mistaken strategic thinking and plain bad management. The strategic mistake was that too many banks believed that they could achieve a strong position in the domestic UK markets.

"They made two bets," says Mr Herschel Post, chief operating officer of Lehman Brothers in London. "They bet they could come in and out-compete those already in the market. And they bet that the UK market was an immature one that could be developed. They were wrong on both counts."

If strategic thinking proved weak, management in some quarters proved weaker. Many of the commercial banks that bought their way into

The problems after Big Bang emanate both from mistaken strategic thinking and plain bad management

broking treated their new acquisitions like precious toys, fearful of interfering. Having paid large amounts for the goodwill of broking firms, they pumped more capital in to pay for the new technology and large dealing rooms that became the symbol of the new era. Costs soared.

In many cases the banks were too late in taking control of their acquisitions. Union Bank of Switzerland, for instance, incurred losses of well over £100m at its broking arm, Philips & Drew, before it decided in 1988 to merge the broker with its existing London investment banking operations and take direct control. Hongkong and Shanghai Banking Corporation, owner of one of the UK's top broking names, James Capel, endured repeated losses before finally, earlier this year, taking direct control over its troublesome subsidiary.

Could these disasters have been avoided? Could the deregulation of the UK equity and gilt markets have been handled at a more relaxed pace?

Mr Andrew Hugh Smith, present chairman of the London Stock Exchange, appears a reluctant believer in the virtues of Big Bang. The changes had to occur, he says: in the former cartelised stock market too much trading was leaving the central stock market floor and being conducted on the telephone outside the exchange's control. US houses, which had largely created the Eurobond market, might have come to dominate London share trading.

The mark of Big Bang's succcess, says Mr Hugh Smith, is the liquidity and depth of the UK stock market, in which institutional investors can deal immediately in large volumes in most big UK company shares. He adds that, for institutional investors, deregulation has proved an unqualified success. Commission rates on large trades fell rapidly to a standard 0.2 per cent and have remained there ever since.

Yet Mr Hugh Smith also acknowledges the huge personal discontent that has followed Big Bang. Being owned by banks "did not suit many brokers and jobbers, who found themselves suddenly as employees of vast organisations. It aroused a lot of resentment." Mr Hugh Smith's own broking firm, Capel-Cure Myers, was taken over by ANZ Merchant Bank before being partially closed down.

Other effects of Big Bang suggest that its impact on the market has not been entirely beneficial. The trading system introduced at the time was devised to support large deals in actively traded shares. It did not suit private investors, who arguably would have benefited more from an order-matching system in which buyers and sellers are paired off without having to pay a dealing spread to a market maker in the middle. Nor did it suit less actively traded companies, whose shares have become increasingly difficult to trade due to a lack of liquidity.

Meanwhile, two other transformations have been under way in the London securities markets. Each in its way is as significant as Big Bang.

The first has been the transformation of London into an important centre for European share trading. Whereas five years ago every bank's strategy was to become a main force in UK equities, it is now to figure in European equities. Europe's own big transformation – its single market programme – and discussions on economic and monetary union in the Community have transformed investment markets in the past five years.

To coincide with the dawning of this new era, there has been a new wave of investment in the London securities markets. Banks like UBS, Goldman Sachs and Warburg are emerging as the leading players. There are yet more names that could join them: Deutsche Bank, for instance, which stayed out of the Big Bang stampede but which has since bought a UK merchant bank, Morgan Grenfell, is preparing to join the gilts market and is widely tipped as the most likely buyer of Hoare Govett.

The second transformation is in the way investors use intermediaries such as broker/market makers, or markets themselves. In several ways they are beginning to by-pass established market intermediaries – a process of "disintermediation" similar to the by-passing of traditional commercial banks during the 1980s. The process is manifesting itself in several ways:

- The proliferation of often mediocre research produced by brokers after Big Bang prompted many big fund managers to develop their own research skills (and falling commission rates meant they were better able to afford it). Greater self-reliance by investors has also been prompted by concern about whether integrated investment houses really put their clients first. Intermediaries, of course, have developed all sort of value-added services to justify their existence, usually through the development of tailor-made investment products.
- In automated markets, investors have less need of market makers and brokers to make sure their orders are executed at the best prices. Once linked electronically, investors could match buy and sell orders between themselves, missing out intermediaries altogether. This has been a dream for many years, but there is a growing feeling that its time is at last coming. One route to achieving it could be the electronic trade confirmation system proposed by a group of leading international fund managers this month.
- Fund managers already frequently by-pass the market. Mr Post of Lehman Brothers, says: "Big investors are looking for ways to enhance their return on big holdings which they don't want to trade. They can do it by dealing with other fund managers."

Developments like these mean that the next five years for brokers in London are likely to be just as turbulent as the five years since Big Bang. Although there are no plans for a second Big Bang, the effects on the stock market will be just as revolutionary in their way as those of 1986.

This is the first in a series on Big Bang. Other articles will appear on the UK news pages this week

OBSERVER

Trouble at the library

■ The Treasury is a notorious Philistine when it comes to funding the arts but its latest example of parsimony is enough to make the angels weep. It has approved the expenditure of over £400m on the new British Library rising on London's Euston Road. But it is reneging on its pledge to spend a miserly £1m to make the building look half attractive.

Like most structures planned 20-odd years ago the library is not a total architectural delight: its best feature is that it is mostly hidden below ground. But there is a broad piazza stretching from Euston Road to the entrance hall and the last Minister for the Arts but one, Richard Luce, was keen to use the open spaces to commission works of art. A modest budget of £1m was ear marked and leading artists like Sir Eduardo Paolozzi and R. B. Kitaj were asked to produce contemporary masterpieces.

Now the Treasury has refused to hand over the money and the current Arts Minister, Tim Renton, is unwilling to dip into his budget. By the time the artists have been compensated any savings will be negligible, and the most expensive public building of the century will be completed without any artistic ornamentation.

Not surprisingly several experts who thought they were on a selection committee for works of art for the Library have resigned. Renton hopes a commercial sponsor will step into the breach and pay for the art, but this looks unlikely.

The sting

■ Süleyman Demirel, the former Turkish prime minister, who seemed poised to make a comeback in yesterday's general election, must be rueing the day he decided to make a white stallion the centrepiece of his Istanbul election rally.

A towering white stallion is the emblem of his True Path Party and the idea was that the beast would rear up at the climax of his speech in which he promised to sweep away President Turgut Ozal, "his crown, his throne, and all."

Instead when all eyes were on the poor animal, it looked dementedly to its right and left, and then keeled over, completely dead. An investigation revealed that it had apparently died of a bee sting. The bee, political augurers note in Turkey, is the symbol of the ruling Motherland Party set up by none other than President Turgut Ozal.

"Not another quiz show repeat!"

Bound over

■ The five authors who do not win the Booker Prize tomorrow night will come away from the ceremony at the Guildhall with a valuable consolation prize. Their own books are set to become collectors' items in their own right.

While the Booker winner gets £20,000 and the certainty that the novel will soar to the top of the best selling charts, the other five candidates will receive a copy of their work bound in leather. Booker, the food and agribusiness group which sponsors the prize, is paying for all six novels to be hand-bound by six of the country's top designer bookbinders. Each binding will reflect the individual theme and content of the novel it covers. Materials used range from the orthodox to the exotic.

Sir Michael Cain, Booker's chairman, who will be handing out the books on Tuesday night, sees the award as helping provide a showcase for another British cottage industry – international bookbinding. Hand bound books are much more popular in other parts of Europe, the US and Japan than in Britain. Individually bound books can fetch up to £20,000 although most prices are much more modest.

Rover's return

■ It seems a bit late in the day for British Aerospace to be talking about strengthening its management team, especially if its rights issue flops. Nevertheless, the suggestion that the group is thinking of appointing a chief operating officer makes sense. With close to 130,000 staff, BAe badly needs someone who can keep an eye on all the businesses on a day-to-day basis.

What makes less sense is the idea that BAe is thinking of promoting George Simpson, recently appointed Rover chairman, to the new post. Rover is hardly over-endowed with senior management talent and now that Sir Graham Day into has been catapulted into the BAe chair, Rover can ill-afford to lose Simpson as well.

Promoting Simpson, only weeks after he took over the chairmanship of Rover, could be seen as a sign that Sir Graham might be wanting to clip the wings of BAe's chief executive, Dick Evans. Longer term this may be no bad thing, but for the moment BAe needs to prove it has a united management team.

Long memory

■ The friendly overtures to the City being transmitted from the UK Labour party's Walworth Road headquarters have obviously failed to reach top ears at General Accident.

The company gave £35,000 to the Conservative party last year. When asked why – in a questionnaire that Pensions Investment Research Consultants sent to all FTSE 100 outfits – company secretary Richard Whittaker replied: "In the past, the Labour party has threatened the nationalisation of the insurance industry and has in particular targeted General Accident, along with six other insurers for nationalisation and for the direction of their investments."

And when were these dire threats made? "Walworth Road told me that this had not been in any Labour manifesto back to 1945," says PIRC researcher, Stuart Bell. "It didn't seem worth checking on Kier Hardie."

Pretty Poll

■ Defence Minister Hussein Kamel Hassan has been voted Iraq's most handsome and successful cabinet member, according to an opinion poll.

The survey was conducted by Babil newspaper, which, being owned by Saddam Hussein's son Uday, clearly has a reputation for impartiality.

The ballot considered the views of some 2,000 people, out of a population of some 18m. The defence minister, who is Saddam's cousin and son-in-law, was deemed the best-looking cabinet member, with 359 votes. Sort of, "tanks for the support".

End in sight to nation's agony

Cambodia has a vast rebuilding task after a peace settlement is signed this week, writes Alex Nicoll

Until the ink is dry, nobody will really believe it. Even when it is, those who have toiled to end Cambodia's turmoil will await proof that the peace agreement due to be signed on Wednesday in Paris will lead to a lasting solution.

For Cambodia's 7m people, the settlement should signal the end of more than 20 years of national trauma: the Vietnam war, the murder of more than a million people by the Khmer Rouge, and 13 years of civil war since Cambodia was invaded by Vietnam in 1978.

If all goes as planned, however, the signatories in Paris – which include the Cambodian government and its numerous rival guerrilla factions, most notably the Khmer Rouge – will also set in train a process of far wider significance.

Because of the importance industrialised nations and Asian neighbours attach to resolving Cambodia's plight, the treaty and carefully staged moves towards full democracy due to follow it will open fresh vistas for Indochina.

These will encompass the establishment of full economic and diplomatic relations for Cambodia and its much larger neighbour, Vietnam, with western countries, and a gradual relaxation by the US of its veto on business and diplomatic links with Hanoi as Phnom Penh makes substantive moves towards democracy. Washington's first moves can be expected soon after the Paris signing.

The peace treaty could set the United Nations its biggest challenge

Full relations with the west will involve international financial support, which could lead to Vietnam and Cambodia competing for foreign investment with other Asian countries. Vietnam, which has great economic potential, has carried out market-based reforms aimed at attracting foreign investment. Its efforts have been applauded by the International Monetary Fund.

At the same time, the peace treaty will set perhaps the biggest challenge for the United Nations, which will oversee Cambodia's peace arrangements and transition to democracy both as administrator and peace-keeper in an operation costing as much as $6bn and lasting perhaps two years. The UN high commissioner for refugees also faces the daunting task of repatriating over 300,000 Cambodians from camps on the Thai border.

Finally, the settling of Cambodia's problems will alter political balances within Asia. Members of the Association of South East Asian Nations – Indonesia, Thailand, Malaysia, the Philippines, Singapore and Brunei – which have striven to liberate their Indochinese neighbours will face them now as partners and competitors. The regional role of Japan, as principal financial backer of the UN operations, will be considerably enhanced. China, which has played a big role in the Cambodian conflict but also in its apparent resolution, is revising relations with its neighbours as Moscow's influence in the region wanes.

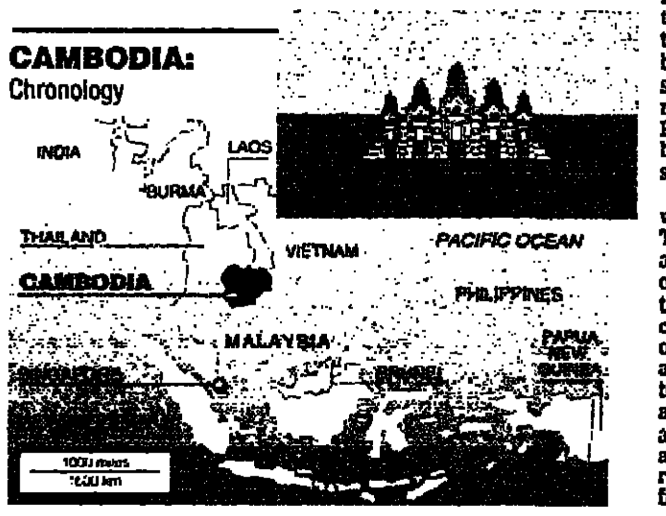
Though this process should follow the war it cannot, even at this stage, be taken for granted. That it should have come this far represents a remarkable achievement for Prince Norodom Sihanouk, who is due to return next month to his lavish former palace in Phnom Penh as head of the Supreme National Council, drawn from the present government and other warring guerrilla groups. The council will act as interim government, in tandem – the details have yet to be defined – with a UN Transitional Authority in Cambodia (Untac).

Prince Sihanouk was head of state from independence in 1953 until 1970, and again briefly in 1975. He went into exile for the second time in 1976, after the Khmer Rouge took power. Since Vietnam invaded Cambodia in 1978 and installed a Hanoi-backed government, Prince Sihanouk has been seeking from exile to end the Vietnamese presence. Hanoi pulled its troops out in 1989.

After the repeated collapse of negotiations involving, among others, the Cambodian factions and the five permanent members of the UN Security Council – the US, Soviet Union, China, France and Britain – this summer's sudden breakthrough was unexpected.

That it happened can be traced largely to the changed priorities of the foreign backers of the Cambodian factions, in particular Vietnam and China, the principal supporter of the Khmer Rouge.

CAMBODIA:
Chronology



1953: Independence from France. Sihanouk head of state.
1970: Sihanouk deposed by US-backed Marshal Lon Nol.
1975: Khmer Rouge takes over, begins brutal regime
1978: Vietnam invades, instals government. Civil war.
1989: Vietnam withdraws troops. Paris peace conference fails.
1990: Cambodian factions accept framework devised by UN Security Council, forms Supreme National Council.
1991: Factions agree on terms for peace treaty, due to be signed in Paris October 23.

Vietnam had a clear incentive to press Hun Sen, the Cambodian prime minister, to make concessions because the end of Hanoi's isolation from western economic support was made conditional on progress in Cambodia.

Both Vietnam and China saw benefits in laying aside their long-standing enmity when they were left as the world's two remaining significant communist powers. China, meanwhile, has been seeking to rehabilitate itself internationally after the bloody crackdown of Tiananmen Square in 1989.

Even after the peace treaty is signed many uncertainties will surround Cambodia's future. One is the role and ambition of Prince Sihanouk.

More chilling is the continued shadowy presence of Pol Pot, who headed the Khmer Rouge regime from 1975 to 1978. He was reported to have come out of his jungle hide-out in late summer to be behind the scenes at talks in Thailand at which the key breakthrough leading to the treaty was made. No clear statement has been made about him, though all parties to the agreement reject the possibility of any role for him in Cambodia's future.

Even discounting Pol Pot, the fact is that the electoral process may give the Khmer Rouge a legitimate role in Cambodian politics.

More basic than this, however, is the laying down of arms. The five permanent members of the UN Security Council had previously insisted on total demobilisation of all forces before elections. However, the agreement to be signed in Paris stipulates 70 per cent demobilisation with remaining troops being disarmed and confined to barracks.

A key task of the UN peacekeeping force will be to monitor what arms are being turned in, and by whom. All factions will be wary of weakening themselves by giving up more than the others. The Phnom Penh government is thought to have about 100,000 troops; the strength of the Khmer Rouge, which still dominates large areas of the country, and is thought to have large stockpiles of Chinese-supplied weapons, will remain difficult to assess.

Regardless of the longer-term chances of peace in Cambodia, the Paris agreement will trigger immediate measures by the west. Some countries, notably Australia, have already said they will restore diplomatic representation in Phnom Penh, and many more, probably including the US, will do so shortly.

More significant, however, will be moves to aid Vietnam. The signing of the Cambodian agreement will begin the second phase of the "road map", the term used by the US for a carefully staged normalisation of relations between the US and Vietnam. It was designed to put pressure on Vietnam to achieve progress in Cambodia and at the same time to account fully for US troops still regarded as missing in action from the Vietnam war.

At present, US businessmen may make contact with Vietnam but any business in the country is strictly prohibited. Others, notably British and French oil companies, have established substantial presences in Vietnam.

After Wednesday's ceremony, US companies may be allowed to negotiate and sign, but not implement fully, business deals with Vietnam. They would then have to await the full lifting of the trade embargo, which could come after the UN presence in Cambodia has been firmly established in about six months.

For Vietnam, the most important step would be a removal of the US block on loans from the IMF and World Bank, which is not expected until the US lifts the trade embargo on its own companies.

While Vietnam begins to reap economic benefits, Cambodians will attempt the rebuilding of their country: an entire political structure has to be set up; there is a massive shortage of trained professionals; the country is strewn with land-mines, and banditry is on the increase; shelter, land, food and water must be found rapidly so that hundreds of thousands facing flooding and a severe lack of aid funds can go home "in safety and dignity" – in the words of the UN high commissioner for refugees. Cambodia's agony is not yet over.

PERSONAL VIEW

In search of a stable pensions regime

By Edward Whitehouse and Richard Disney

More than £30bn is spent on public pensions, including the state earnings related pension scheme (Serps), in the UK – almost 15 per cent of government spending. If tax relief on private pensions is included, the cost to the exchequer is even higher. It would be higher still if proposals for reforming state pensions suggested by the Labour party and the Liberal Democrats were implemented following the next general election. Furthermore, these proposals would change the distribution of benefits. In the run-up to the polls, it is essential to analyse properly these reform ideas.

With a wide choice of public and private pension schemes on offer, a stable environment is needed within which to forecast future public pension entitlements and to plan future savings for private provision. Yet public pension policy has failed to provide the required stability. Serps, which came into operation in 1978, was an attempt to do so. Yet it was not adequately costed; within 10 years rising estimates for future pension costs led to a radical pruning of Serps benefits and to the offering of new incentives to contract out into personal pensions.

The excessive cost of these extra incentives led to criticism by the National Audit Office and the public accounts committee of the House of Commons. The 2 per cent rebate for people contracting out may not survive unscathed if there is a change of government. While individuals may choose between contributing to Serps, to a traditional occupational pension scheme, or to the new money purchase schemes, uncertainty over future pensions policy will not make rational choice easy.

All the political parties must answer four broad questions:

- What will happen to the value of the basic state pension?
- How much will providing it cost?
- What is the future of Serps?
- What fiscal incentives, if any, should be given to private pension schemes?

In the past decade, the value of the basic flat-rate state pension has been raised in line with price inflation. But in that 10 years, with faster real earnings growth, retired people have seen their basic pension lose 25 per cent of its value relative to wages. On present trends, this fall will continue. Since the basic pension is the core mechanism by which resources are redistributed from workers to pensioners, this continuing fall in value does not seem desirable.

Labour and the Liberal Democrats both propose to increase the basic pension in line with earnings growth (at least) so as to maintain its relative value. Labour also proposes a once-for-all increase in the basic pension and the Liberal Democrats propose a staged increase to restore some of the value lost in the past 10 years. Labour plans to fund this change partly by abolishing the ceiling on employees' National Insurance contributions.

Raising the basic pension immediately and then indexing in line with earnings is expensive. In 30 years, public expenditure on pensions will be some £20bn-£25bn higher at 1991 prices under Labour's proposals than it would be under present arrangements. It would be some £7bn-£10bn higher under the Liberal Democrats' scheme. This increase may be a price worth paying, but Labour's proposal has a peculiar side-effect because of the way benefits and contributions in the National Insurance system interact.

This stems from the fact that the basic pension for a married couple is set by law roughly equal to the "floor" at which a worker starts to pay National Insurance contributions. Workers earning less than this floor (such as some part-time workers) thereby have reduced entitlement, or none, to a basic pension or to additional Serps pensions. By raising the basic pension, and therefore the value of this National Insurance floor, pension entitlements among lower earners may actually be reduced by Labour's plan.

But this is not the end of the story. Pensioners who have been contracted-in to the state scheme have acquired entitlements to additional earnings-related Serps benefits since 1978. Under present arrangements, Serps entitlements will form a third of public pension expenditure in 30 years as these pension rights build up and the relative value of the basic pension declines. The ceiling on Serps entitlements is equal to the "ceiling" on National Insurance contributions. So if the ceiling is abolished (as Labour proposes) or raised in line with earnings growth rather than price inflation in line with the basic pension, high earners will get much larger Serps pension entitlements than they do now.

The future consequence of Labour's proposal is an overall redistribution towards pensioners, but with some individuals who were low earners actually losing pensions, and higher earners gaining the most in projected benefits. This would seem to be slightly perverse.

What of Serps itself, and of competing private schemes? According to financial analysts, money purchase schemes, such as personal pensions, are more attractive than Serps to most men under 50 and to women up to about 40. Our research broadly confirms these conclusions, but suggests that results are highly sensitive to the size of the rebate given to newly opted-out schemes, and to the rate of return on scheme investments.

Small changes in the future rebate can change the optimal pension strategy for many individuals. Since the government seems happy to let Serps wither while pension schemes compete by providing often partial and selective information, the sensitivity of pension choice to these key variables is being largely ignored.

Richard Disney is professor of economics at the University of Kent. Edward Whitehouse is research officer at the Institute for Fiscal Studies.

LETTERS

Inexorable rise of Euro works councils

From Mr Denis MacShane.

Sir, Eric Forth, the junior minister at the Employment Department, is wrong when he says that "a transnational works council...does not...exist at the present time anywhere in Europe" (Letters, October 17).

The Volkswagen European Works Council is operating well and is accepted and welcomed by workers and managers of VW in Germany, Spain and other European countries.

Thomson, the leading electronics and defence multinational, deals with a transnational European works council.

In the next two months workers and unions from the following European companies will meet to establish embryonic transnational works councils: Bekaert, Volvo, Digital Equipment, Renault, Alcatel, Bull, Moulinex, Gillette, Electrolux, Pechiney, Grundig and Ford of Germany.

In one form or another, European works councils are on the way. Must the British government always be so out of step with Europe? Or, rather, what drives Mr Forth and his boss, Michael Howard, to play Canute as the rising tide of the European works councils washes inexorably over their heads?

Denis MacShane,
International Metalworkers' Federation,
54 bis, route des Acacias,
Case postale 563,
CH-1227 Geneva

How Mexico can play the political advantage

From Mr David Lehmann.

Sir, Rudi Dornbusch's account (Personal View, October 16) of what Brazil could learn from Mexico misses one important point: whatever marvels the Mexican state has achieved in recent years, the task of the president has been made easier by the fact that it is still a one-party state, despite some political changes, and that he does, therefore, have vastly superior resources of power at his disposal than his Brazilian counterpart. Nor should it be forgotten that President Salinas's election was surrounded by many doubts as to whether he really got the number of votes required to win.

The relationship between electoral government and market economics is not all it might seem.

David Lehmann,
Centre of Latin American Studies,
University of Cambridge

Unfair reflection of views

From Mrs Carla A Hills.

Sir, Generally, I look to the Financial Times to provide fair coverage of the news. But the October 7 article ("Time for minister to show his mettle") about Peter Lilley by Michael Cassell was not fair. I was shocked to read: "Mrs Carla Hills...believes (trade and industry secretary Lilley) is clever but cold." Not only does Mr Cassell's characterisation of "cold" fail to reflect my views (I actually find the secretary to be extremely pleasant and engaging), Mr Cassell made no attempt to ascertain my views.

Carla A Hills,
United States Trade Representative,
Executive Office of the President,
Washington DC 20506

Better a confidential search?

From Mr Andrew Britton.

Sir, With regard to your article about the search for a new head of the Central Statistical Office ("Setback in search for new CSO head", October 15), it is, I am sure, difficult in a case like this to get a clear account of events from the people involved. In my case, at least, the story has not come out quite right. But do you not think, in fact, that it is best for the selection procedure to remain confidential?

Andrew Britton,
director,
National Institute of Economic and Social Research,
2 Dean Trench Street,
Smith Square,
London SW1P 3HE

The realities of mass migration

From Mr Rodney E B Atkinson.

Sir, Edward Mortimer writes that population growth in the "south" and economic opportunities in the "north" can only be reconciled by mass migration from the former to the latter. (Foreign Affairs, October 16).

This myth underlies much of the present debate in political economy and seems to be a pillar of the EC's "Single Market" – as expressed in "the freedom of movement of goods, capital *and people*".

Such freedom of movement may awaken in the minds of middle-class lawyers, economists and corporate managers, ideas of spending periods of their working life in Rome, Paris or Berlin, but the reality, of mass migration by impoverished guest workers, is rather less romantic. In Germany I witnessed the sadness of families from Turkey, Yugoslavia or Italy saying goodbye to relatives they could afford to send home for Easter or Christmas. I saw their alienated existence in a country whose language they could not speak and in which they could neither vote nor command any respect.

Mass migration to find work is an evil, not an opportunity. In a world of capital freedom, undistorted by fiscal manipulation, exchange and dividend controls, capital moves to where people need work.

Moves towards a single European currency are already forcing British workers to migrate towards the centre of Europe (as one would expect from government price manipulation). What was in the past the fate of Geordie bricklayers (*Aufwiedersehen, Pet*) will soon be the fate of the British middle class.

Market prices, free currencies, free movement of capital – and those who own that capital – all make the mass movement of people unnecessary. This may reduce the patronage of politicians and the power of the state but that is precisely why it will emancipate the people.

Rodney E B Atkinson,
60 Ashbourne Court,
Woodside Park Road, London N12

Time lag makes 6.5 per cent pay rise acceptable

From Mr Bill Brett.

Sir, You report (October 15) that a "row" is likely over MPs' receipt of a 6.5 per cent pay rise in January. Why? It is an inevitable feature of pay settlements linked to other groups that they tend to lag and thus appear out of step with "the going rate". This is exacerbated for MPs, as their pay is linked to a civil service settlement in August, which is in turn linked to private sector pay movements in the year to June. The 6.5 per cent figure was at the lower quartile of pay movements in a year which included the 10 per cent plus increases being enjoyed in October 1990.

The other inevitable problem in the public sector is that when this lag results in a low figure, the government is happy to implement it, but when it results in a high one, it finds it politically unacceptable.

Accordingly, my union would fully support a parliamentary decision to implement the 6.5 per cent award from the end of the year.

A more fertile ground for speculation is provided by the government's attempt to amend the civil service pay agreements. The government intends to extend performance pay already applicable in the civil service but not applying to the "linked" MPs. One can envisage many constituents supporting a say in the pay of their MPs, perhaps based on their attendance record and the speed and quality of their response to constituents' letters.

Finally, in support of the case for improving MPs' pay, their civil service colleagues are not allowed to take up additional jobs with other employers. Perhaps if MPs' pay was more attractive fewer of them would feel the need to moonlight in lucrative jobs outside the Commons.

Bill Brett,
general secretary,
Institution of Professionals, Managers and Specialists,
75-79 York Road,
London SE1 7AQ

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Monday October 21 1991

Smaller political groups perform well as main parties seem unable to gain outright win

Turkey election likely to result in deadlock

By John Murray Brown in Ankara

EARLY RETURNS from Turkey's general election last night looked set to produce an inconclusive result, although the ruling Motherland party, which had been expected to lose its overall majority, appeared to be doing better than expected.

As almost 30m Turks voted in more than 12,000 polling stations across the country to elect 450 members of parliament, none of the main parties – Motherland, the centre right *True Path party, or the Social* Democratic Populists – seemed capable of winning an outright majority.

In the event of the hung parliament, the smaller parties – the Islamic-backed Welfare Party, the Democratic Socialists and the Socialists – are hoping to play the role of king-maker.

On Thursday, a Motherland party candidate was shot and one of the party's offices in Istanbul was bombed. But otherwise Turkey's third election since the 1980 military coup passed off largely free of the street violence which affected the country's politics in the 1970s.

The full result will not be *known until later today* Government party support, however, seemed to be holding up in Istanbul and Izmir, which together account for almost 70 seats.

More surprisingly, the party was polling strongly in Van and other areas in the Kurdish south east, where the Democratic Socialists are expected to win the lion's share of the region's 40 seats.

The Democratic Socialists were also doing well in the cities.

The True Path party was performing well among rural voters in the small towns of the Aegean and central Anatolia. After a successful advertising campaign, the Welfare *party was achieving success in* Islamic strongholds such as Sivas and Konya in central Turkey.

The campaign has been dominated by the twin issues of inflation and the upsurge in terrorism, particularly the growing unrest in the Kurdish-speaking areas of the country.

With all the main parties broadly committed to market-based economic reform, today's result is expected to turn on the different personalities of the leaders.

These are the youthful Motherland party prime minister Mr Mesut Yilmaz, the 67-year-old six-time former premier Mr Suleyman Demirel of *the True Path party, and* the Democratic Socialists' Mr Erdal Inonu, a physics professor whose father was Turkey's second president in 1938.

During a four-week campaign, True Path has been consistently ahead in the polls. Mr Demirel earlier promised two keys to every family, for a house and a car, an ambitious pledge in a country where annual per capita income is about $1,500.

He said the True Path party would provide political openness, a Turkish version of glasnost, pledging that even the police stations would be made of glass.

But with as many as 15 per cent of the electorate undecided, *Mr Yilmaz's confident* television appearance over the weekend and news yesterday of the release by Kurdish rebels of seven Turkish soldiers could help the government party.

Time to relax: federal soldiers cook sausages during the lull in fighting outside the Croatian town of Vukovar

Croatian fighting eases after truce

By Laura Silber in Belgrade

FIGHTING in Croatia appeared to ease yesterday after the Yugoslav federal army and leaders of the rebel republic ordered another ceasefire.

But Belgrade radio reported fierce fighting around the towns of Lipik and Jasenovac in central Croatia.

Tanjug, the official Yugoslav news agency based in Belgrade, the Serbian and federal capital, quoted military officials as saying that Croatian forces had shelled positions held by the Serb-dominated federal army around Nova Gradiska and Novska, central *Croatia*.

Tanjug said six Serbs had been killed and 36 wounded around the town of Glina, central Croatia, since the ceasefire was ordered at 1pm on Saturday, after an agreement reached at the European Community peace talks on Friday in The Hague.

Croatian radio said fighting had died down yesterday, except in north-east Croatia. But the truce had been repeatedly violated on Saturday.

Belgrade radio reported it was relative quiet around Vukovar, eastern Croatia, after the first relief convoy evacuated 109 seriously wounded people from the besieged town. The convoy reached a field hospital *set up at nearby Novi Mikanovci* after travelling through mud for 13 hours along country roads.

The convoy, organised by Médecins sans Frontières, the French humanitarian group, narrowly escaped a barrage of mortar fire. Two nurses were hurt when one of the lorries of the 12-vehicle relief convoy hit a mine.

Tanjug said Ms Gislaine Jacquier of Switzerland, who suffered broken legs, and Ms Fabienne Schmidt of Luxembourg, who had concussion, were taken to the Belgrade military hospital.

A locally agreed ceasefire between Croatia and army officials allowed a 160-vehicle convoy *to evacuate barracks* in Zagreb, the Croatian capital. The relief convoy was a key element in the lifting of a month-long siege of federal military installations in Croatia.

The 10th ceasefire since June – when fighting erupted after Croatia declared independence – has failed to engender hopes for a lasting peace. Previous truces have collapsed amid mutual accusations of ceasefire violations.

The war re-opened the wounds from the Second World War. *Belgrade television on* Saturday showed Serb forces firing mortars alongside the memorial to the hundreds of thousands of Serbs, Jews and gypsies killed during the war by the Ustashe, pro-Nazi Croats, in the Jasenovac concentration camp.

Investigator on BCCI inquiry is arrested

By Robert Rice, Legal Correspondent

AN INVESTIGATOR with the UK Serious Fraud Office working on the Bank of Credit and Commerce International inquiry was arrested and *charged yesterday with conspiracy* to pervert the course of justice.

His arrest comes after an investigation by the Metropolitan Police into the theft and sale of confidential SFO documents relating to the BCCI inquiry.

Mr Mark Braley, 24, an accountant with Coopers and Lybrand, is on full-time secondment to the BCCI inquiry.

A second man, Mr Bernard Lynch, 28, a self-employed accountant, is also charged *with the same offence. Mr Lynch has no connection with* the SFO.

Both men will appear at a magistrates' court in London *today charged that "on or* before October 19 they conspired to commit an offence by removing, destroying or defacing documentary evidence relating to fraud trials resulting from the collapse of BCCI last July".

Among the documents that they are accused of stealing is believed to be one widely circulated to the national press relating to the SFO's investigation into links between Control Securities, the UK property and leisure group, and BCCI.

Last Thursday share dealing in Control Securities, run by Mr Nazmudin Virani and his two brothers Alnashir and Zulfikar, was suspended by the *London Stock Exchange after a* raid on the company's headquarters in London.

The document is understood to be a "position paper", dated October 1, which outlines the SFO's interest in finding out whether BCCI was using the accounts of companies within the Virani group to dress up its annual results.

Money may have been borrowed from Virani companies by BCCI in order to improve the bank's results shortly before they were audited, to be *returned after the bank audit* had been completed.

The document is also understood to detail investigators interest in charges of $22.5m *(£13m) made by BCCI's* Cayman Islands branch to Virani company accounts.

Former BCCI officers have claimed that the bank used this procedure to hoodwink its auditors.

Virani group company accounts under investigation include those of NM Properties, Virani Group UK, Zelva Anstalt Winstonglen and Greencrest Trading.

The SFO is thought to be looking into four possible offences.

Harare declaration falls short of UK hopes

By Robert Mauthner and Michael Holman in Harare

A DECLARATION of principles to guide the Commonwealth in the 1990s was issued by the organisation's heads of government yesterday, stressing the importance of democratic processes and human rights.

However, the declaration, drawn up after a weekend of informal talks, fell short of the tough prescriptions advocated by Britain.

In spite of divisions which emerged earlier in the week at *formal talks in Harare, the capital* of Zimbabwe, the tone of the declaration reflects attempts to reconcile the interests of the developed and *developing countries*.

The differences are between countries such as Britain and Canada on the one hand, which intend to link aid levels to democratic practices and human rights, and other members, led by India and Malaysia, which see such policies as interference in their internal affairs.

In the declaration's efforts to seek a consensus, the phrase "good government", which was a central element of the original British position, and which is often associated with the concept of linkage, was replaced by less controversial language. Nor does any agreement appear to have been reached on a mechanism for monitoring violations of human rights and democratic malpractices.

The document, based on the *1971 Singapore declaration* of the Commonwealth's democratic values, pledges the member countries to protect and promote democratic processe-*sand institutions, the rule of* law, the independence of the judiciary and "just and honest government".

Among the other main principles are:

- respect for human rights, including equal rights and opportunities for all citizens regardless of race, colour and creed;
- equality for women;
- access to education for all;
- continuing action to end apartheid and the establishment of a free, democratic and non-racial government in South Africa;
- sound economic development policies recognising the central role of the market and taking into account especially the requirements of the developing countries;
- the freest possible flow of multilateral trade on terms fair and equitable for all;
- strengthening the capacity of the Commonwealth to respond to requests from members for assistance in entrenching the practices of democracy.

The sick politics of hope deferred

By Anthony Harris

The surprising survival of Mr Charles Haughey's lopsided Dublin coalition on Friday is not going to make or break the progress of European integration, or of world free trade; but it may be a microcosm of the forces that will.

You have to visit the Repub-*lic to feel the full strength of* the despairing contempt which most Irishmen feel for their politicians – Britain in the dying scandals of the Macmillan period is the nearest I have experienced, but this is worse.

All the same, Mr Haughey is only a first among equals. Most European governments are at the moment weak and unpopular. They are the victims of recession and high unemployment, which has also provoked nasty outbreaks of xenophobia and racialism. Too many are also polluted with the stinking remains which are washed up whenever the financial tide recedes.

*This is not what City com*mentators mean when they talk of political risk; they are concerned only with Mr Major. However, the things weak politicians may feel driven to do to survive are potentially a bigger threat to future prosperity than seems likely from a change of regime in London, for they could easily derail European integration at Maastricht and the Uruguay round of Gatt negotiations. Most urgently, they could undermine the response that is needed to the collapse of the Soviet economy and those of its former satellites.

You may already be wondering whether this normally cool and unexcitable column has come off the rails. Can what is, after all, quite a shallow recession, and one which is felt mainly in the English-speaking countries, have such dire implications? In normal times, it could not. The world would not greatly miss Mr Haughey, or Mr Mitterrand, or even Mr *Major; changes of regime* are only to be expected when the political and economic cycles get out of synchronisation, and the world goes on very much the same.

This time round, the cycle may appear quite gentle; but it also appears to have got stuck half way round. Indeed, the latest figures from the US, whose recovery is supposed to drive all the others, suggest that it could well be slipping backwards. This may prove to be more politically debilitating than a short, sharp slump. Accidents can happen to anyone; but ministers are then expected to clear up the mess. Those who appear quite powerless, like *Mr Haughey* (or indeed Mr Bush) lose credibility; and so do those, like our own *chancellor, who keep fore*casting a recovery which does not happen.

The unlucky thing is that this has happened at a time *when we need collective* action. The Uruguay round is simply running out of time, after six years of bickering. The Soviet crisis passed its point of no return some time before the outside world noticed, and now requires urgent action to prevent the eruption of a huge new Yugo-*slavia*, with the threat of a tidal wave of refugees, not to mention possible nuclear trimmings. The good news here is that the Group of Seven in *Bangkok has* clearly recognised the urgency of this problem, and talked of little else.

Financial integration is polluted wih the same nasty smells which now hang round a number of politicians

The urgency of European integration is self-imposed, a *decision to* achieve some real deepening before the demands of widening captured our entire attention, but not much less real for that: an open failure would be an enormous setback. Indeed, the case for some progress on political integration, even if largely symbolic, has grown stronger, since the single market is *ploughing into* a sticky bogland of practical problems. As David Went of Ulster Bank put it at the conference which took me to Galway: "January 1 1993 may prove to be a very long day."

Open frontiers in a world of refugees? Meanwhile, the whole territory of financial integration is polluted with the *same nasty smells which now* hang round a number of politicians. Can the banking directives, for example, possibly work after BICC has made the *standards of prudential* supervision so suspect? What about deposit insurance – comprehensive in some major markets across the Channel, but seen in English-speaking countries, after the US savings disaster, as carrying large and possibly unacceptable moral hazard?

It would be easy, in these circumstances, *to despair* of any progress. Mr Kohl may have offered hope of farming concessions to rescue the Gatt talks; but he has not apparently convinced his own farm minister, let alone the French and the Irish. Mr Major is *made visibly* nervous by a storm in a teaspoon over European objections to some British *construction projects*, which is hardly promising for Maastricht. The will is there to help the Soviet Union, but governments with budgetary problems are not eagerly reaching for their cheque books.

This is not a set of threats which can simply be shrugged off, though. Imagine, for a moment, the reaction if markets became convinced that world trade was about to shrink rather than to grow, that Europe would fall back into competitive obstruction, and that the peace dividend would have to be spent all over again to contain potential threats from despairing, heavily armed Soviet republics. The fall in stock market values alone would be enough to put back economic recovery into the far future. The problems have to be confronted, even if *inadequately*.

Two bodies could help us to muddle through more successfully than now seems likely: the European Commission, and *the worlds' central bankers*. The Commission need only slow down a little, especially in the field of what it calls harmonisation, where it has been *making some silly and provoc*ative proposals. Free trade requires an absence of barriers; it does not require uniform tax regimes, or speed limits, hours of work or old age pensions. Indeed, the whole point of free trade is to make the most of diversity, as the success of the US shows.

As for the central bankers, they should pay more attention to their wisest colleague, Mr Greenspan. He alone shows that he understands the real threat to recovery – not renewed inflation, which is the last decade's problem, but debt deflation. Give the politicians a little more hope, and they could still surprise us all.

Klansman

Continued from Page 1

The Bush administration, which had backed the defeated Mr Roemer, yesterday dissociated itself from Mr Duke, while refusing any kind of support for Mr Edwards.

"David Duke is not the Republican nominee, he is an individual who chooses to call himself Republican. The race in Louisiana would be best served if they added a third line to the ballot saying 'No'," said Mr John Sununu, the White House chief of staff, in Washington.

Surveys show modest upturn in UK economy

By Rachel Johnson, Economics Staff

UK RETAIL SALES remain weak, although business confidence has improved, according to two economic surveys published today.

The mixed picture indicates that the UK economy may be shifting gradually from recession to recovery, though the strength of the upturn is proving difficult to assess.

The September survey of the distributive trades by the CBI, the employers' organisation, showed August's "modest" improvement in retail sales continued into September.

For the second month running, retailers reported sales volumes higher than a year before, one of only three year-on-year increases registered since the end of 1990.

Although the CBI discovered improvement in some sectors such as groceries and chemists' shops, the overall picture for retailing was patchy. Retailers of durable household goods, booksellers and stationers reported that sales were substantially lower than last year.

Wholesalers had better news to report. Sales improved "sharply" in September to stand above last year's levels for the first time in a year, the survey said. Cutbacks in orders to suppliers had slowed markedly since the first half of 1991.

More news on business conditions for shops and stores will emerge later today when the government publishes figures for the change in retail sales volumes last month. A rise of about 0.3 per cent on the month is expected, against a fall of 1.2 per cent in August.

The London Chamber of Commerce and Industry's quarterly survey paints a similarly mixed picture. Like the CBI survey, it failed to confirm the government's claim, in the wake of last week's unemployment figures, that there were "unmistakable signs of an end to the recession."

Economic Trends Survey, London Chamber of Commerce, 69 Cannon St, EC4N 5AB. £18.

Outlook warning, Page 9

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	19	66
Algiers	R	13	55
Amsterdam	F	10	50
Athens	F	25	77
Bahrain	C	30	86
Bangkok	R	31	88
Barcelona	S	16	61
Beirut	S	28	82
Belfast	R	8	46
Belgrade	R	9	48
Berlin	C	6	43
Biarritz	C	8	46
Bombay	S	34	93
Bordeaux	F	11	52
Boulogne	F	9	48
Brussels	C	9	48
Budapest	C	8	46
Buenos Aires	F	27	80
Cairo	S	31	88
Cape Town	S	18	64
Caracas	C	28	82
Casablanca	F	21	70
Chicago	S	0	32
Cologne	C	9	48
Copenhagen	C	4	39
Corfu	F	24	75
Dallas	C	17	63
Dublin	Dr	7	45
Dubrovnik		-	-
Edinburgh	F	9	48
Faro	S	21	70
Florence	C	13	55
Frankfurt	C	9	48
Geneva	C	6	43
Gibraltar	S	20	68
Glasgow	F	9	48
Helsinki	C	4	39
Hong Kong	S	26	79
Innsbruck	F	7	45
Inverness	F	8	46
Islamabad	F	28	82
Istanbul	F	23	73
Jakarta	R	33	91
Jersey	R	10	50
Johannesburg	C	20	68
Lima	C	20	68
Lisbon	S	16	61
London	S	9	48
Los Angeles	C	17	63
Luxembourg	C	7	45
Madeira	F	21	70
Madrid	S	12	54
Majorca	F	12	54
Malaga	S	20	68
Malta	F	24	75
Manchester	S	9	48
Manila	F	33	91
Melbourne	F	27	81
Mexico City	C	21	70
Miami	S	23	73
Milan	S	16	61
Montreal	S	-1	30
Moscow	C	10	50
Munich	F	3	37
Nairobi	C	26	79
Naples	F	18	64
Nassau	C	32	89
New Delhi	S	29	84
New York	S	7	45
Nice	S	17	63
Nicosia	S	29	84
Oporto	S	15	59
Oslo	S	4	39
Paris	C	9	48
Peking	S	19	66
Prague	F	6	43
Reykjavik	C	6	43
Rhodes	S	25	77
Rio de Janeiro	C	30	86
Rome	F	17	63
Salzburg	C	6	43
San Francisco	S	15	59
Seoul	S	13	55
Singapore	R	29	84
Stockholm	F	0	32
Strasbourg	C	9	48
Sydney	S	24	75
Taipei	C	22	72
Tangier	F	20	68
Tel Aviv	S	32	90
Tenerife	F	23	73
Tokyo		-	-
Toronto	S	-2	28
Tunis	R	15	59
Valencia	S	17	63
Venice	F	13	55
Vienna	C	8	46
Warsaw	C	9	48
Washington	S	6	43
Zurich	H	5	41

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1991
Monday October 21 1991

INSIDE

Hanson arranges £5.5bn funding

Hanson, the acquisitive UK-based industrial conglomerate, has just completed the arrangements for loans and refinancings of existing debt worth a total of almost £5.5bn. ($9.4bn) The group has succeeded in securing rather tightly-priced funding, part of which is intended to cover the cost of acquiring Beazer, the UK house-builder. Last week, Hanson agreed a seven-year $4bn syndicated loan, for which Chemical Bank is global co-ordinator. Bankers have described the loan as a technical highly leveraged transaction, believed to be the largest deal agreed in the last two years. Page 23

Brent Walker request puzzles

In the latest twist to a seemingly endless rescue saga at Brent Walker, the Bank of England last night expressed puzzlement over a meeting requested by small shareholders in the troubled leisure group. Count Alexei Orlov, chairman of an independent shareholders' action committee, requested the meeting on Thursday. He opposes the Brent Walker restructuring proposals – which include asset sales – and wants shareholders to consider informal takeover proposals put forward by Mr Tiny Rowland's international trading conglomerate, Lonrho. Page 20

O&Y sells property stake

Olympia & YORK, the international property company headed by the Reichmann family of Canada, has sold a 49 per cent stake in a New York office block to associates of Mr Li Ka-Shing, Hong Kong's largest property developer, for an undisclosed sum. Page 21

US bonds suffer

Bonds were left slumped on the canvas after the Labor Department reported that consumer prices had risen 0.4 per cent in September, twice the expected increase.For a bond market that had dropped its guard against inflation, last week's consumer prices data were a surprise right hook. Page 22

Fragile pricing consensus

A striking feature of the international bond market in recent weeks has been the wide disagreement between underwriters over the "correct" pricing of new issues. Following a period during the early part of the year when allegations of mis-pricing were few, the fragile consensus among syndicate officials appears to have cracked. Page 23

Market Statistics

Companies in this issue

UK banks may shun Kuwait loan

By Sara Webb in London

BRITAIN'S leading banks are likely to refuse to join other international banks in lending money to Kuwait to help with its post-war reconstruction.

Their refusal to participate at a senior level in Kuwait's $5bn syndicated loan could jeopardise British industry's chances of winning important contracts from Kuwait for reconstruction and the export of British goods and services.

Kuwait announced its plans to borrow $5bn in the syndicated loans market on October 10, marking its debut in the international capital markets.

The loan, which is being co-ordinated by J.P. Morgan, the US finance house, has already attracted verbal and written commitments from Kuwait's main international bankers including Citibank of the US, BNP of France, Deutsche Bank of Germany and Industrial Bank of Japan. Some bankers involved in the deal believe that the loan may be oversubscribed, allowing Kuwait to borrow more than the announced $5bn.

However, so far, the British banks have indicated that they do not want to be counted among the ranks of twenty or so lead managers despite heavy lobbying by Kuwait of senior bankers at last week's International Monetary Fund meetings in Bangkok.

Although the loan is regarded as being quite tightly priced, paying a margin over the London interbank offered rate (Libor) of only 50 basis points, the additional fees – of more than 45 basis points – which are available to the lead banks are considered very generous.

However, the British banks are concerned about having to lend at least $150m apiece to Kuwait because of the capital adequacy requirements.

Some British bankers have said that they expect to come under considerable pressure from their UK corporate customers as well as from the government to participate in the loan. "It's an enormous amount of money to lend given the current capital adequacy constraints, but it would not surprise me if we are told to do it," said one UK banker.

"If British banks steer clear [of Kuwait], it will scupper UK companies' chances of winning contracts," claimed one US banker. "People who don't show support don't get anything in return."

The list of lead managers to the loan is expected to be announced this week before the loan goes into general syndication.

Belgian analysts surprised by bid structure

By Andrew Hill in Brussels

BELGIAN company analysts were surprised by the eventual structure of the bid for Wagons-Lits, which, if successful, will marginally reduce the exposure of Société Générale de Belgique to the Franco-Belgian tourism group but leave Belgium's largest holding company with stakes in both Wagons-Lits and Accor.

The recapitalisation of the bid vehicle, Cobefin, is expected to reduce the cost to La Générale of financing its investment in Wagons-Lits. But some brokers had expected the holding company to end its involvement with Wagons-Lits altogether, possibly by selling its Cobefin stake in exchange for an increased holding in the French company.

At the moment, La Générale holds 12.5 per cent of Accor's shares. La Générale also retains an option to sell its Cobefin shares to Accor.

When Wagons-Lits shares were suspended last Tuesday morning, Brussels brokers thought those options were about to be exercised, but Mr Jean-Jacques Massart, La Générale's spokesman, indicated last week that the stake was not up for sale. "Presently we are occupied with the problem of the takeover bid and we don't want to mix the two things," he explained.

Although La Générale wants to improve the management of Wagons-Lits, it is clear that it will be the subordinate partner in the Accor/La Générale team. It said after the bid was announced that it was Accor's professional expertise in the hotel and tourism sector which would be brought to bear on Wagons-Lits.

For La Générale – preoccupied by the poor performance of its industrial subsidiaries and under pressure from its French parent, Compagnie de Suez – the Wagons-Lits takeover will change little.

Travelling hopefully

Accor's chairmen explain their plan for Wagons-Lits to William Dawkins

The two chairmen of Accor, the leading French hotel group, admit freely that they never originally planned to make a bid for the whole of Wagons-Lits, the Franco-Belgian travel company.

It was 15 months ago that the company, headed by Mr Gerard Pélisson and Mr Paul Dubrule, took a 27 per cent stake in the troubled Wagons-Lits, alongside Société Générale de Belgique, the French controlled holding company. Last week they launched a BFr22bn ($630m) bid for the rest of the travel group.

Mr Dubrule and Mr Pélisson, France's best known corporate double-act, started a chain of hotels 24 years ago in the belief that French bed and breakfasts were not providing a proper service.

Now they say their mission is to be the McDonald's of the world hotel industry. With turnover of FFr22.8bn ($3.95bn) last year, Accor has establishments in 57 countries.

Their original plan for Wagons-Lits was to merge either the assets or the managements of their respective hotel businesses and leave the rest alone, a strategy which was working as recently as last spring.

Last week's full bid for Wagons-Lits might seem an expensive way of furthering the French group's hotel ambitions, given that Accor is still digesting last year's $1.3bn takeover of Motel 6, the cut-price US hotel chain, and that Wagons-Lits hotels represented only FFr2.9bn of its FFr17bn turnover last year. The rest is split between restaurants, travel agencies, car rentals and train sleeping cars, Wagons-Lits' original business.

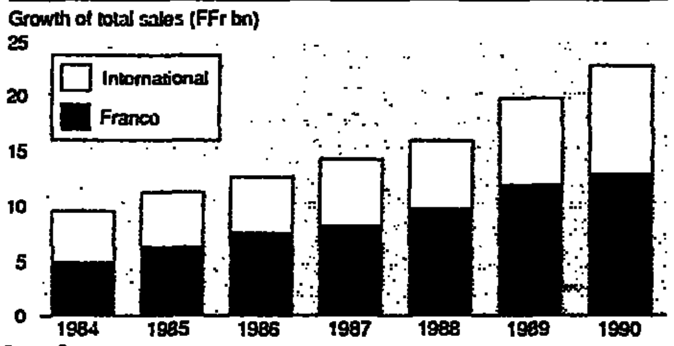
Yet Accor's chairmen are entirely content with the outcome.

The deal has increased Accor's position as the world's largest hotel group in terms of rooms owned and under management, by adding Wagons-Lits' 35,000 rooms to its own 185,000, making a total of 220,000, with combined annual sales of FFr40bn on last year's figures.

Mr Pélisson reckons that under tighter management, Wagons-Lits could make FFr400m net profit before exceptional charges this year, rather than the expected FFr150m.

Accor

Growth of total sales (FFr bn)



Source: Company report

Around FFr150m will come in the next year or so by trimming losses at Europcar, Wagons-Lits' UK car hire business jointly owned with Volkswagen, says Accor. The main reason for Europcar's FFr300m loss last year was its poor timing in expanding its fleet.

The remaining FFr100m would come from pooling purchasing and marketing in the other areas where Accor and Wagons-Lits share common activities.

To take one example of the scope for common purchasing, the equipment used on Wagons-Lits catering cars is similar to that used by Accor's institutional catering business.

Accor's chairmen say they began to realise six months ago that they would have to make a full bid or withdraw. There was no agreement on strategy between the main shareholders, Rolaco, the Saudi Arabian investment fund, Sodexho, the catering group, and Caisse des Dépôts et Consignations, the French state-owned financial group.

Rolaco, for example, wanted to sell the hotels at a high price which Accor claims bore no relation to the impact of the Gulf war on the hotel trade. Between them, the main shareholders agreed to sell Europcar and then changed their minds three times, say the Accor chairmen, who add that they plan to keep the car hire firm. Relations were cordial enough, but the main shareholders' interests in Wagons-Lits were so different that the company started to suffer, says Accor.

Given that Accor had no choice but to bid, can it afford to pay? The price might look steep, at up to 40 times prospective earnings per share, yet Wagons-Lits' smaller shareholders argue that the French group has not paid enough.

Accor will pay in cash, for which it will increase its borrowings from FFr13.6bn at the end of last year, to FFr15bn to FFr16bn. This compares with shareholders' funds due to rise from FFr9.54bn before the bid, to about FFr12bn afterwards, depending on the level of acceptances.

Mr Pélisson reckons that this level of indebtedness is not far out of line for his industry, and easily affordable for Accor. He adds that Accor's shareholders' funds do not include around FFr6bn for the increase in value of hotels bought or built in the 1970s, but which cannot be revalued in the balance sheet because Accor would have to pay tax on the unrealised gain.

Accor does not plan to make heavy asset sales, although its chairmen do expect to be asked by the French Competition Council to sell Wagons-Lits' motorway restaurants on the grounds that the purchase gives the new group an 85 per cent share of the French market. This would bring in about FFr150m and would bring the new group's share of the French motorway restaurant market back to the 50 per cent now controlled by Accor, through chains such as L'Arche and Café Route. They do not believe the bid needs to be scrutinised by the European Commission.

Belgian investors' criticisms that Accor is not offering enough are centred around the fact that its BFr8,650 per share offer price is well below the BFr12,500 per share at which Accor says it and La Générale bought into Wagons-Lits in June last year. Small shareholders would like to have been offered the same price then, on the grounds that control of Wagons-Lits had changed hands, an argument which La Générale and Accor contest.

Accor also maintains that minority shareholders are being treated fairly by now being offered a 25 per cent premium on Wagons-Lits' market price. That is the same premium which Accor and La Générale paid to buy into Wagons-Lits in the first place, points out the French group.

Accor's legal and financial advisers had estimated that the French group could get away with offering BFr8,200 per share. But the Belgian stock market authorities "asked us to put a cherry on the top of the cake, an extra premium in recognition of the fact that we were going for a majority," says Accor. It is a cake that Accor's chairmen admit will take them, along with their recent acquisitions, two years to digest.

Sony to make new Apple computer

By Louise Kehoe in San Francisco

APPLE COMPUTER has teamed-up with Sony, the Japanese consumer electronics giant, in an ambitious drive to establish Apple as the "top brand" in the fast growing market for portable "notebook-size" computers.

Today Apple will launch three portable models of its Macintosh personal computer, one to be manufactured by Sony at plants in Japan and California.

The new Macintosh "Powerbooks" are 9in by 11in fold-up versions of Apple's popular desktop personal computers. Prices range from $2,300 to $4,600, undercutting most comparable IBM-compatible notebook computers. Apple will also announce a new desktop computer model and two Macintosh "servers" – computers designed to power personal computer networks.

The new products represent the first fruits of an effort led by Mr John Sculley, Apple chairman and chief executive, to increase the company's share of the world personal computer market by accelerating product development. The company has discontinued its first Macintosh portable, a 14lb heavyweight that flopped at its launch two years ago after a three-year development, precipitating changes in Apple's management.

The Powerbook 100, the lowest-cost model of Apple's new Macintosh portable computers, was developed in close collaboration with Sony.

Two higher performance models were developed in Apple's own research and development laboratories and will be manufactured at the company's plants in California and Ireland.

This is the first time that Apple has subcontracted the manufacture of any of its personal computers and is also a first for Sony, which has never before built a complete computer for a third-party customer.

Apple's recently signed collaborative agreements with International Business Machines are, however, far more wide-ranging than those between Sony and Apple, Mr Sculley said.

Correction

Citicorp

An article on this page on October 17 incorrectly summarised Standard & Poor's downgrading of Citicorp's debt securities. S&P lowered Citicorp's senior debt rating from A-plus to A-minus. Its subordinated debt rating was lowered from A to BBB-plus.

Sony spending cuts signal a return to reality

Economics Notebook

By Robert Thomson in Tokyo

THE announcement by Sony, the consumer electronics maker, that it is likely to join the ranks of those cutting their capital spending plans highlights not only the slowing of the Japanese economy but also the return to reality for leading companies which had grown accustomed to unsustainable growth.

Sony's warning that its capital spending could fall by 30 per cent next year is in sharp contrast to the 21 per cent and 17 per cent increases recorded by the electric machinery sector during 1989 and 1990.

The reduction is significant, but the figures tend to exaggerate the economic slowdown, as companies are cutting back from projections that were firmly held but unrealistic.

At the time of the capital spending spree, which peaked last year, the Ministry of International Trade and Industry (Miti) urged companies to exercise restraint, fearing that a slowing of domestic demand would prompt an increase in exports by manufacturers with new-found excess capacity.

The ministry was right. The faint stirrings of recovery in the US have already prompted increases in the bilateral surplus, while the just-released September trade figures showed a total 6.9 per cent year-on-year increase in exports – imports fell 5.7 per cent.

The surplus for the first nine months, $54.5bn, has already topped the full 1990 figure of $52.1bn, and each of the last three months' numbers will add to the figure and to Tokyo's embarrassment.

By the end of last week, the downturn in capital spending and the fear that trade friction will rise in tandem with the trade surplus had directed attention to the Bank of Japan and the official discount rate (ODR), which is still seen as a cure-all even though interest rate deregulation has made its influence more symbolic than real.

Mr Yasushi Mieno, the central bank governor, is apparently unconcerned that the economic "boom" of the past 58 months is over in everything but name.

In pushing the ODR higher, the bank had been dealing with two threats to longer term economic health: the ready-to-explode speculative bubble in stock and property markets, and an overheated economy, including overheated corporate expectations.

The first sign that the bank was satisfied with the results of its work came on July 1, when the ODR was cut from 6 per cent to 5.5 per cent.

Mr Mieno was confident last week that the economy was "ready to enter a period of more balanced growth", though inflationary pressures still required close attention.

But the Bank of Japan's chorus of critics argues that it has been over-cautious, that the economy is in danger of stalling and that the official forecast of 3.8 per cent growth in the year to the end of March will not be met.

Mr Mieno wouldn't be much bothered if growth for the year did reach only 3.3 per cent, as he feels that the government has never fully appreciated the dangers posed by rampant speculation or sometimes profligate capital spending, both of which were fuelled by the flow of easy money during the late 1980s.

The bank wants to keep the economy moving, though it does not want the stock market to presume that the good, old days of gravity-defying rises are close at hand.

There were good reasons for large increases in capital spending, with profits and sales rising, research budgets growing and a worker shortage forcing investment in labour-saving technology and an overhaul of employee facilities.

But some companies were putting on production capacity in the apparent expectation that domestic demand would rise boundlessly and that market share would be lost by producers unable to keep pace.

However, demand has turned down, with private machinery orders in August 6.5 per cent lower than a year earlier, the third consecutive month of decline.

New orders for private construction are sharply lower, car sales are down, and Tokyo department store sales in September were only 0.1 per cent higher than a year earlier, the lowest increase in eight years.

One result is that the new manufacturing capacity has come on line, up 2.7 per cent on a year earlier in June and up 2.5 per cent in July, and utilisation has fallen, down 2.5 per cent in July and down 3.4 per cent in August.

And profits are falling – a survey published on Friday by Nihon Keizai Shimbun, the Japanese financial newspaper, showed that the 100 largest manufacturing companies expect pre-tax profits to fall by an average 8.8 per cent this year.

Again, the Bank of Japan has not been not panicked by this profit decline, as officials suggest that the experience will encourage companies to exercise more financial discipline.

But the bank's confidence appears to be based on an expectation that domestic demand will begin to rise in the near future, while Mr Mieno's critics say that demand is flagging and that the bank has misjudged the market.

On to this stage walks Mr Kiichi Miyazawa, the former finance minister destined to become prime minister next week, who has an abiding interest in economic policy.

He will be under pressure to stimulate the economy, and will have more influence over the budget than the present leader, Mr Toshiki Kaifu, who was embarrassed by the finance ministry's unwillingness to keep his promises.

Mr Miyazawa suggested last week that the central bank should lower interest rates, while Mr Mieno indicated that he respected Mr Miyazawa's opinions, but implied that they alone did not dictate economy policy.

The scene is set for an interesting few months of policy debate, as Mr Miyazawa, generally perceived as an "internationalist", will be keen to prove that he has a strong grasp of domestic policy concerns.

Mr Mieno sees the surge in the trade surplus as an aberration, while Mr Miyazawa will be taking the late-night phone calls from President George Bush.

Mr Mieno argues that excessive domestic growth tends to lead to yen depreciation, while Mr Miyazawa wants to expand public spending and is also in favour of a strong yen.

As economic growth continues to slow, so the debate will quicken.

Investment trust raises a record £246m

By Vanessa Houlder in London

M&G, the UK fund management group, has raised a record total of £246.47m ($423m) for its new Income Investment Trust, following the most ambitious launch of a new fund in recent years.

The figure is more than twice the largest sum of money previously raised by a new investment trust, which was £100.5m raised by Drayton Asia in September 1989.

The sum exceeded the £150m which M&G said it expected from the launch, although it was less than half the maximum that could be raised.

The M&G Income Investment Trust is now the second-largest split capital trust in the UK market.

The significance of the split capital form, which allows investors to choose between capital, income and zero-coupon shares, is that trusts of this kind often avoid trading at a discount to their asset value.

In the marketing campaign that covered 10 per cent of UK households, the new trust was mainly sold as a personal equity plan, which shelters income and capital gains from tax.

By the closing date for M&G's offer for subscription last Thursday, the investment trust had received 27,833 applications for about 145m package units at 100p.

In addition, S.G. Warburg had placed 100m geared ordinary units at 65.5p each and about 100m zero-dividend preference shares at 34.5p each, raising a total of £100.7m.

The formal allotment of the shares will take place on October 28 and dealings are expected to start the following day.

Small shareholders in Brent Walker still voicing opposition

Bank puzzled by Orlov's request

IN THE latest twist to a seemingly endless rescue saga at Brent Walker, the Bank of England last night expressed puzzlement over a meeting requested by small shareholders in the troubled leisure group, writes Peggy Hollinger.

Count Alexei Orlov, chairman of an independent shareholders' action committee, requested the meeting on Thursday.

He opposes the Brent Walker restructuring proposals – which include asset sales – and wants shareholders to consider informal takeover proposals put forward by Mr Tiny Rowland's international trading conglomerate, Lonrho. Count Orlov claims the backing of more than 30 per cent of Brent Walker's shareholders in opposing the restructuring.

A spokesman for the Bank said last night that, even if Count Orlov managed to persuade the institution that the restructuring was wrong, it was difficult to see what the Bank would be able to do.

Count Orlov will meet with Mr Pen Kent, the Bank's director of finance and industry. Mr Kent's brief covers "all the areas the Bank is interested in but not responsible for", the spokesman said.

The Bank has been kept closely informed of developments at Brent Walker. Refinancing talks on the £1.5bn debt were given a boost earlier this month with the agreement from bondholders to swap convertible bonds for unsecured loan stock.

Brent Walker said yesterday that it expected Count Orlov to get "a dusty reception" at the Bank "We are concerned that small shareholders are grasping a will o'the wisp," a company spokesman said. He denied accusations that it or its bankers had spurned approaches from Lonrho.

"There has not been a Lonrho offer," he said. He added that, in any case, "the banks would not accept Lonrho paper for Brent Walker debt".

In a letter to Brent Walker's 47 banks, Mr Rowland outlined his offer to swap one of Lonrho's shares for every four in the leisure group.

Restructuring of Embassy Prop delayed

By Vanessa Houlder, Property Correspondent

Embassy Property, a USM-quoted developer and investor, has failed to meet its expected deadline of today for the agreement of a restructuring package.

It issued a statement to the Stock Exchange on Friday, which said:

"These discussions have progressed satisfactorily but, in view of their detailed nature, a further period is necessary to complete negotiations and it is therefore now anticipated that a circular, together with the accounts, will be despatched in approximately four week's time."

Embassy, which has debts of £26.6m, is in negotiations with its banks and new and existing shareholders.

Mr Roger Holbeche, chairman of the company, said the delay did not indicate that the restructuring package would not go ahead.

"It is complicated because there are a number of banks involved. It is a complex package," he stated.

Arjo Wiggins' £23m Spanish deal

By Tom Burns in Madrid and Paul Abrahams in London

ARJO WIGGINS Appleton, the Franco-British paper group, announced that it intends to acquire Corporación Comercial Kanguros, the Spanish paper merchant, in a deal worth about £23m.

The Franco-British giant's bid for the whole of the Spanish company offers a price of Pta2,700 (£14.72) per share, a 13.68 premium on the Pta2,375 price when the listing was suspended last Thursday.

Mr Ignacio Alcalde, the Kanguros chairman, said no decision had been taken by the company which specialises in stationery products and is one of Spain's few independent paper producers.

The Kanguros board will meet this week to decide its strategy and will be advised by BBV Interactivos, the broking subsidiary of the large domestic retail bank Banco Bilbao Vizcaya. Mr Josep Prats, a partner in Axel group, an independent Madrid firm of corporate analysts, said the bid, which values Kanguros at Pta4.23bn, was "cheap."

The acquisition was a logical step forward for AWA said the company, whose strategy is to move from commodity paper production into high value-added products. The group, whose paper distribution operations have sales of £1.1bn, is already the largest merchant in France, Belgium, the UK and Ireland.

AWA's bid was presented to Madrid's stock exchange commission by its portfolio subsidiary Societe des Papestries Divry. The bid was backed by Banco Hispano Americano, a second major Spanish retail bank and Hispano's broking division was acting as advisers in the share offering.

Sheldon Jones £0.24m in the red

Sheldon Jones, the USM-quoted animal feed manufacturer, incurred losses of £243,000 before tax for the year to end-June, compared with a £627,000 profit for the previous 13 months. Turnover was £3m higher at £15.4m.

The loss per share was 1.2p (7.1p earnings) after a tax credit of £182,000 (£260,000 charge) and the final dividend is cut from 3.77p to 1.21p for a 2.56p (5.12p) total.

Tax and stamp duty rules for merged Futures market

By Vanessa Houlder, Property Correspondent

MR Francis Maude, financial secretary to the Treasury, has announced new tax and stamp duty rules for the new market created from the merger of the London International Financial Futures Exchange (LIFFE) and the London Traded Options Market (LTOM).

In the merged market, the principal traders in equity options will be able to claim stamp duty and stamp duty reserve tax reliefs. The relief will apply to equity transactions which are necessary to hedge option positions undertaken by members on their own account.

When stock is bought or sold to meet a delivery obligation arising from the exercise or assignment of a delivery, stock lending reliefs and exemption, in certain circumstances, from anti-bond washing legislation will also apply. Stock lending relief is the tax exemption that applied to borrower and lender, when a dealer borrows securities from institutions, for a fee, in order to deliver on sales.

The government said it was allowing tax relief on stock borrowed to hedge option positions because, in the new traded options market, dealers who are not market makers are expected to play an important role in providing liquidity.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Chesterfield Prp ......int	7	Dec 30	7	-	18.5
Contra-Cyclical ......int	2.25	Nov 28	-	-	-
Le Creuset § ......int	nil‡	-	0.13	-	0.39
Hall Homes ......int	nil	-	1	-	1
HTV Group ......int	1.5	Nov 29	1.5	-	3.75
Lon & Associated......int	0.05†	Dec 30	0.05	-	0.5
Owen & Robinson ...int	0.15†	Jan 15	0.15	-	0.15
Scott Metro Prop......fin	1.87	-	4.22	4.4	6.75
Sheldon Jones § .....fin	1.21	-	3.77	2.56	5.12
Value & Income ......int	1.62	Jan 6	1.35	-	2.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Now policy to make one annual payment. Comparisons in FFrs.

Owen & Robinson clips losses

Owen & Robinson, retailer of jewellery and sports footwear, showed a pre-tax loss of £1.23m for the half year ended July 31 1991, against £1.28m.

As to the rest of the year, Mr Maurice Dwek, chairman, said it was highly dependent on Christmas trading.

Turnover rose £3m to £7.9m, and trading loss fell £133,000 to £450,000. Interest charges increased to £778,000 (£701,000).

Losses per share were 7.8p (11.11p) and the interim dividend is again 0.15p.

Le Creuset keeps tight grip to lift profit 14%

By Michiyo Nakamoto

HIGH QUALITY cookware did not escape the downturn in consumer spending but Le Creuset, the French-based maker of cast iron cookware and oven-to-tableware, managed to improve profits by 14 per cent in the first half of 1991.

It did so by keeping a tight grip on cash and maintaining sales margins, and cutting interest charges by 31 per cent.

Sales dipped to £15.5m (£15.8m) but the pre-tax profit rose to £1.1m (£970,000). Interest charge came down to £241,000 (£348,000) through careful management of currency transactions made for business requirements.

The group, which achieves about a third of its sales in France and another third in the UK, experienced weaker demand in the former. The UK subsidiary and the US offshoot, which makes up for about 27 per cent of turnover, were able to increase profits.

The downturn in France was attributed to poor weather which affected sales of barbecue equipment, but Mr Ian Puttock, administration director, said that consumer spending had been as badly affected by the recession there as in the UK.

Earnings per share rose to 4.4p (3.9p). The group is passing its interim dividend (last time FFrs 0.13) in favour of one payment per year, as French law requires audited accounts to be presented in order to pay a dividend.

Chesterfield hit by interest

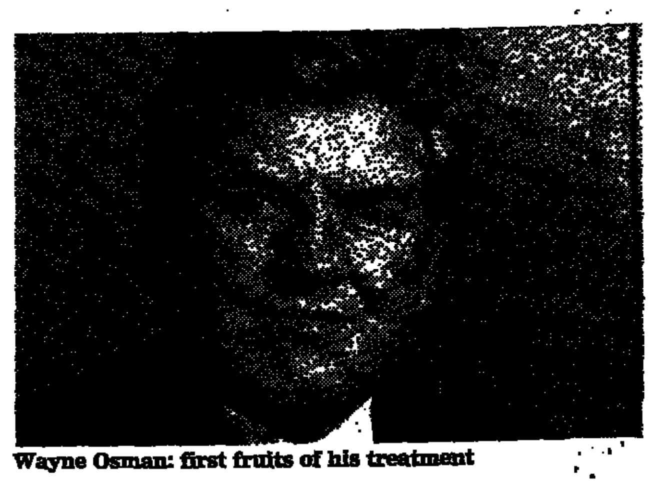
A surge in interest charges hit Chesterfield Properties in the six months to June 30, with pre-tax profits crashing from £7.84m to £2.37m.

However, rental income was up 17.5 per cent at £16m (£13.61m) and profit before tax and interest increased from £11.31m to £12.4m. Turnover was £2m higher at £18.4m.

Earnings per share emerged at 0.75p (21.1p). The interim dividend is held at 7p.

Right connection at Prestwick

James Buxton analyses its improved prospects



Wayne Osman: first fruits of his treatment

Prestwick Holdings felt the impact of the arrival of Mr Wayne Osman, its new chief executive, almost immediately. Less than a month after he took over as chief executive of the Ayr-based printed circuit board maker he made 80 of the 490 staff redundant.

Mr Osman, a rather chubby, boyish-looking 42-year-old, who was once a professional cricketer, was brought in last autumn to shake up Prestwick as, since its flotation in 1985, it had only once seen a premium on its shares. That was just after it joined the stock market, when the 100p shares briefly went to 106p.

In the past few days, however, Mr Osman has been able to show the first fruits of his treatment. Although pre-tax profits for the year to July 31 were only £109,000 against £1.2m the previous year, trading profit in the second half was nearly £1m against a first half loss of £415,000.

Prestwick is one of the handful of indigenous Scottish electronics companies which carry out volume manufacturing. With several multi-national computer makers, such as International Business Machines, within an hour's drive of its plants at Ayr and Irvine, Prestwick should have had a ready local market for its PCBs, the product which connects the main components of most electronic equipment.

But in practice the recent story of Prestwick, which was founded in 1969 by Mr Bill Miller and his brother Eric, has largely been one of disappointments and false dawns, punctuated by changes in management.

The flotation itself was ill-starred: soon after it Sinclair Research, Sir Clive Sinclair's computer company, which Prestwick had opened a new plant at Irvine to supply, had to be rescued.

That and a recession in the electronics industry pushed Prestwick into the red. Although it returned to profit in 1988 and invested £13m in equipment to manufacture the most advanced types of PCB, things never went quite right. The following year it achieved record profits of £2.12m on sales of £26m but was then hit by a break in orders for telecommunications equipment from British Telecom.

"Bill [Miller] rushed off in too many directions at once when he was MD," says Mr James Warhurst, an analyst with Henry Cooke Lumsden in Manchester. A company insider says: "We weren't consistent. We would announce that we'd won some great new customer, and then we would deliver the first samples late."

Although the Miller family controls about 20 per cent of the ordinary shares the institutions, such as Scottish Mutual, finally lost patience last year. Mr Miller became non-executive chairman, Mr Douglas McKenzie, the managing director, left and Mr Osman was headhunted to be chief executive.

Mr Osman, formerly chairman of the electronics division of B Elliott and a senior executive with Crosfield Electronics and De La Rue, has spent all his business career in the electronics industry. He identified Prestwick's problem as its long-running failure to reduce costs as customers demanded lower product prices.

But he also took over a company with a strong balance sheet, including cash of more than £4m, and a share price with plenty of upside potential. In October last year the shares stood at 32p before sliding to 23p. Now they are at 57p.

Through greater efficiency, Mr Osman has lowered the break-even point and this spring obtained the consent of the non-union workforce to give all staff the same status, replacing the divisions of hourly, weekly and monthly-paid staff. Clocking in has ended and overtime has been abolished.

"I've always regarded overtime as payment for failure – for making mistakes and not getting things done on time," says Mr Osman.

The new system came into effect in August and staff, he says, are "digesting it", admitting that there are some grumbles. Night shift work is now shared out on a rota basis instead of being confined to the same people. PCB making is a continuous process and the annual summer shutdown and the Christmas and New Year break are being abolished.

Mr Osman says that Prestwick was in the right four market areas – equipment for telecommunications, automotive, cellular radio and data processing – but not necessarily in the best sectors of them. After an interval of some years it is again supplying IBM, with which it has signed an agreement worth more than £10m over two years. That will mean taking on 40 extra workers.

It has also become an approved supplier of Ford Motor, providing PCBs for its automotive electronics plant in Spain.

PCB makers do not have standard products but design and build to the specification of the customer. Mr Osman now asks to send his engineers to help the customer design the PCB it wants and so establish stronger links. "Some companies accept, some don't," he says. He has also opened sales offices in France and Germany.

Although turnover last financial year fell 12.5 per cent to £25.2m because of the recession in the UK, the order book is 20 per cent ahead of a year ago. Last month the company bought a small PCB maker named GTN from the receiver for £140,000 to add to its product range. In July it acquired Band Electronics, an electronic components distributor.

"What I now want is a solid set of figures to give us strong financial foundations," says Mr Osman. He has attracted back to Scotland several expatriate Scottish managers "with a strong desire to make a Scottish industry successful".

Mr Warhurst says: "I've always thought Prestwick's strategy with its high investment was absolutely right; it was the implementation that was weak. Now there's much tighter control and a better spread of clients and no gearing." He believes Prestwick will make at least £1.5m pretax this year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Acco (France)/Societe Generale de Belgique	Wagons-Lits (France/ Belgium)	Tourism	£428	Accor expanding internationally
PG & E Resources (US)	Unit of BP (UK)	Oil & Gas	£233m	More Tex/Con disposals
Wessex Waste Management (US/UK)	Wimpey Waste (UK)	Waste management	£105m	Wimpey needs cash
Management team (Canada)	Unit of Granada (UK)	TV Rental	£38m	Non-core disposal
Digital Equipment Corp (US)/Sonda (Chile)	Deal (JV)	Computer services	£34.8m	LatAm launch-pad
P & O (UK)	New Zealand Line (NZ)	Shipping	£13m	Identity and jobs lost
Sogefi (Italy)	Europarts Industria de Autopecas (Brazil)	Motor components	£10m	Cash deal
NFC (UK)	Bos Finances(France)	Transport	£8m	Specialist
Jardine Fleming (HK)	Apex Securities (Malaysia)	Stockbroking	n/a	JF takes 30%
Dunhill Holdings (UK)	Dunco (Japan)	Distribution	n/a	Dunhill takes 34%

Source FT Mergers + Acquisitions International

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 21.10.91 [?] — Final Prices for Trading on 23.09.91 [?]

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.80	15.95	15.95
0100	15.90	15.93	15.93
0130	15.86	15.90	15.90
0200	17.05	15.90	15.90
0230	17.31	15.90	15.90
0300	17.31	15.90	15.90
0330	15.92	15.90	15.90
0400	15.92	15.90	15.90
0430	15.87	15.90	15.90
0500	15.87	15.90	15.90
0530	15.90	15.85	15.85
0600	15.88	14.02	14.02
0630	16.06	16.01	16.01
0700	16.37	16.25	16.25
0730	18.74	18.06	19.84
0800	24.81	20.27	22.28
0830	24.60	20.95	23.18
0900	28.63	22.90	25.86
0930	26.97	28.73	32.69
1000	25.61	30.33	34.75
1030	24.35	31.39	38.17
1100	23.98	32.14	37.18
1130	24.00	35.13	41.18
1200	27.63	38.50	45.86
1230	21.01	37.49	44.19
1300	20.10	34.00	39.64
1330	19.20	28.43	32.23
1400	18.98	26.62	29.62
1430	18.90	25.64	28.49
1500	18.89	25.45	28.23
1530	18.56	25.44	28.23
1600	18.63	26.84	30.17
1630	19.19	30.68	30.68
1700	19.57	31.27	36.07
1730	21.95	29.66	33.88
1800	24.61	26.39	29.53
1830	30.57	23.92	26.12
1900	31.20	23.18	25.37
1930	29.08	24.54	26.33
2000	22.61	24.81	27.30
2030	18.58	24.39	26.79
2100	18.23	23.77	25.92
2130	18.01	19.24	21.11
2200	18.00	19.06	20.84
2230	17.69	18.04	19.77
2300	15.92	18.25	18.25
2330	15.92	16.05	16.05
2400	15.86	15.99	15.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 20.10.91 [?] — Final Prices for Trading on 22.09.91 [?]

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.82	15.91	15.91
0100	15.81	15.83	15.83
0130	15.86	14.02	14.02
0200	17.13	15.82	15.82
0230	17.13	15.82	15.82
0300	17.13	14.00	14.00
0330	17.13	5.00	5.00
0400	15.83	5.00	5.00
0430	15.82	5.00	5.00
0500	15.82	5.00	5.00
0530	15.82	15.90	15.90
0600	15.82	15.86	15.86
0630	15.82	15.88	15.88
0700	15.82	15.96	15.95
0730	15.83	15.93	15.93
0800	16.25	15.95	15.95
0830	16.26	16.18	17.93
0900	16.26	16.18	17.93
0930	16.26	16.76	18.52
1000	16.45	16.75	18.51
1030	16.45	17.65	19.43
1100	16.45	17.65	19.43
1130	16.78	18.10	19.89
1200	17.88	18.10	19.89
1230	19.05	19.72	21.55
1300	19.05	19.72	21.55
1330	17.22	17.61	19.38
1400	17.05	17.61	19.40
1430	15.90	16.81	18.57
1500	15.83	16.81	18.57
1530	15.83	15.95	15.95
1600	15.82	15.95	15.95
1630	15.90	15.95	15.95
1700	15.86	16.81	18.57
1730	15.82	16.81	18.57
1800	17.05	15.81	18.57
1830	17.88	16.81	18.57
1900	20.62	18.10	19.91
1930	20.62	19.23	21.13
2000	20.62	22.09	24.02
2030	17.88	22.09	24.02
2100	19.23	19.29	21.13
2130	19.23	19.29	21.13
2200	19.14	18.10	19.91
2230	17.88	18.04	19.84
2300	17.05	18.04	19.85
2330	16.99	16.81	18.58
2400	15.82	16.04	16.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Five chasing Executive Life raise their bids

By Patrick Harverson in New York

FIVE of the eight groups seeking to acquire failed Californian insurance company Executive Life have raised their offers in a last-ditch attempt to win the auction.

Two groups – the French consortium led by Crédit Lyonnais subsidiary Altus Finance and mutual insurer MAAF, and the Los Angeles-based financial services group, Broad – have offered more for Executive Life's huge junk bond portfolio.

Altus/MAAF increased its bid for the junk bonds from $2.85bn to $3bn. With its pledge of $300m in new capital for the insurer, this makes its bid worth $3.3bn.

That offer was matched by Broad, which claims to have lined up a "prominent buyer" for the junk bonds who is willing to pay $3.3bn – $600m in cash and the rest with a secured note backed by the value of the bonds and guaranteed by a group headed by J.P. Morgan, the Wall Street investment bank.

The Broad group said it had added $168m of other enhancements to its bid, and increased the benefits it would grant policyholders after restructuring the insurer.

Altus/MAAF and Broad are the only two bidders that have offered to separate the junk bonds from Executive Life. Of those who will keep the bonds in the insurance company, the group led by West Coast investment banker Hellman & Friedman and the Chicago-based Zell/Chilmark fund said it was prepared to raise its offer from $750m to $1bn. This was after the General Motors pension fund agreed to join the consortium. The group also pledged to increase the profit-sharing plan for Executive Life policyholders and offer some hardship benefits.

It was not clear how much of the new Hellman & Friedman offer would be paid in cash. Under its first proposal, the group pledged $300m to recapitalise Executive Life, and the rest "on standby".

Revised offers were also submitted before the deadline expired on Friday night by a group representing the insurance company's creditors, and a consortium of investors who bought municipal bonds backed by Executive Life savings contracts.

California's insurance commissioner will announce his recommendation of who should be allowed to buy Executive Life on Friday.

O&Y sells 49% property stake to Li Ka-Shing group

By Vanessa Houlder, Property Correspondent

OLYMPIA & YORK, the international property company headed by the Reichmann family of Canada, has sold a 49 per cent stake in a New York office block to associates of Mr Li Ka-Shing, Hong Kong's largest property developer, for an undisclosed sum.

Olympia & York said the deal signalled "an important strategic alliance between two of the world's foremost real estate development families".

The building, which is two-thirds empty, used to be occupied by Drexel Burnham Lambert, the US investment bank that filed for bankruptcy protection at the start of last year. It is a 39-storey tower, containing 1m sq ft of space, located at 60 Broad Street, just south of the New York Stock Exchange.

O&Y said the building, which was built in 1961, would be renovated at a cost of $60m (£35m) in an effort to attract first-class tenants.

The Hong Kong businesses associated with the Li family bought 49 per cent of the building from O&Y. And another party associated with the family bought the mortgage on the building from CalFed, a Californian savings and loans group.

Concord Property and Finance Group, a company controlled by the Li family, has arranged and placed a $57.5m facility for the joint venture.

Mr Li Ka-Shing has a wide-ranging business empire which includes property, telecommunications, oil and gas and container handling in Canada, the UK, the US and Hong Kong.

McDonnell rise rebuffs critics

By Martin Dickson in New York

MCDONNELL DOUGLAS, the defence group whose stretched finances have generated controversy, has hit back at its critics by reporting a substantial rise in third quarter like-for-like profits – from $14m to $77m – and a further improvement in its debt-to-equity ratio.

The St Louis-based company, the largest defence contractor in the world, also reiterated that it was considering strategic alliances with international partners, mainly in the Asia/Pacific region, to manufacture a new wide-bodied commercial passenger jet, the MD12X.

McDonnell's improved results came just two weeks after an official at the Defense Department in Washington claimed in congressional testimony that the company was so short of cash that its operations might be threatened. The group rebuffed the claim at the time, and on Friday Mr John McDonnell, the chairman, was at pains to emphasise that despite these "negative stories," McDonnell Douglas "has turned the corner and is headed in the right direction".

The group said third-quarter earnings totalled $77m, or $2.02 a share, compared with $14m, or 35 cents, in the same period last year. However, when a one-time $234m tax gain is included in last year's earnings, these rose to $248m, or $6.48 a share. Revenues rose to $4.5bn from $4.1bn.

The group's debt – excluding financial services – dropped to $2.68bn at the end of the quarter, giving a debt-to-equity ratio of 0.82:1, down from 0.91:1 at the end of the second quarter and 1.05:1 at the end of the first.

McDonnell said higher earnings and more aggressive asset management had cut debt by 19 per cent since the end of the first quarter and the debt-to-equity ratio was now at its lowest since June 1989.

The improved financial performance stemmed from cost reductions and higher revenues from increased commercial aircraft deliveries. Its transport aircraft business produced $65m of operating earnings, against a loss of $98m in the 1990 period, due mainly to the build-up of deliveries of the MD-11 wide-bodied jet and increased deliveries of the MD-80 twin jet. The combat aircraft side had operating earnings of $126m, up from $119m.

Laidlaw loses a fifth of value after $466m deficit

By Bernard Simon in Toronto

LAIDLAW, the Canadian waste services and school bus operator, has lost more than a fifth of its value since reporting a US$466m quarterly loss last Wednesday.

The shares of the Ontario-based company fell C$1 in Toronto on Thursday, and then by another C$1.25 in heavy trading on Friday following an analysts' presentation by chief executive Mr Donald Jackson.

Shares closed on Friday at C$10.13, little more than a third of their 1990 peak of C$28.13.

The loss was caused largely by a US$469m writedown in the value of Laidlaw's 28 per cent stake in ADT, the Bermuda-based car auction and securities group, but the market appears more concerned about the deteriorating performance of the waste disposal business.

Operating income from the solid waste division slid to US$19.2m in the three months to August 31, from $35.4m a year earlier. Hazardous waste profits halved to $12.2m.

Mr Jackson acknowledged that the waste business had turned out to be less recession-proof than expected. "At this point we see little to give us enthusiasm that the recovery is at hand," he said.

The investment community is also concerned that Mr Jackson, who took over late last year, has yet to come to grips with the problems he inherited from Laidlaw's founder, Mr Michael De Groote.

Laidlaw is controlled by Canadian Pacific of Montreal, which bought its stake from Mr De Groote at more than double the present share price.

Caterpillar in loss and sees more trouble

By Karen Zagor in New York

CATERPILLAR, the world's biggest producer of earth-moving equipment, yesterday turned in a third-quarter loss of $37m, or 37 cents a share, and warned of further bleakness.

A year earlier, Caterpillar had net income of $54m, or 54 cents a share. In the latest quarter, revenues dropped 16 per cent to $2.36bn, largely as a result of a 17 per cent erosion in sales volume.

The Illinois-based company said its results reflected the continuing weakness in most of its market. The benefits of higher prices in the last year were largely offset by weaker currencies in Europe and Brazil.

During the quarter, Caterpillar's debt increased by $25m to $3.27bn.

Caterpillar warned that it would probably report a fourth-quarter loss. "While leading economic indicators are signalling the beginning of a recovery in the US, improvements in the markets Caterpillar serves are expected to lag any upturn in the economy.

"The outlook is further clouded by the Union of Auto Workers negotiations currently under way," said the company. It is negotiating a new labour agreement with the union.

For the first nine months, Caterpillar lost a net $86m, or 85 cents a share, compared with net income of $199m, or $1.97 a share, on sales which slid 12 per cent to $7.47bn.

The company's financial services operations generated third-quarter earnings of $6.9m, up 1 per cent, on revenues which rose 14 per cent to $80.3m.

First Interstate tumbles into red

HIGHER loan-loss provisions and restructuring charges at First Interstate Bancorp, one of the largest banks on the US west coast, pushed the Los Angeles-based group into the red in the third quarter, writes Karen Zagor in New York.

First Interstate, which warned of its expected third-quarter loss in September, made a net loss of $207.5m, or $3.46 a share, against net earnings of $155.4m, or $2.39, a year earlier.

The 1991 results include a restructuring charge of $90m. The 1990 figures include a one-time after-tax gain of $55.7m.

The bank's problems are linked to the downturn in the Californian property market and the ensuing rise in problem loans.

NRI TOKYO BOND INDEX

December 1983 = 100	17/10/91	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	163.99	6.18	163.40	157.09	154.10
Government Bonds	162.42	6.00	161.59	154.75	152.01
Municipal Bonds	166.29	6.36	165.76	158.87	155.77
Govt.-guaranteed Bonds	168.72	6.41	168.40	161.60	158.57
Bank Debentures	160.20	6.09	159.75	154.21	151.11
Corporate Bonds	164.70	7.05	164.45	160.01	156.65
Yen-denom. Foreign Bonds	171.61	7.16	171.38	165.79	160.20
Government 10-year†	5.96		6.06	6.59	6.57

† Estimated par yield

Source: Nomura Research Institute

RAND MINES

Gold mining companies' reports for the quarter ended 30 September 1991

Blyvooruitzicht Gold Mining Company, Limited

Registration No. 05/00743/06

ISSUED CAPITAL: R4 000 000 IN 24 000 000 SHARES

OPERATING RESULTS

	Quarter ended 30-9-1991	Quarter ended 30-6-1991
Underground operations		
Ore milled (t)	386 000	387 300
Gold produced (kg)	2 229	2 247
Yield (g/t)	5.77	5.65
Revenue (R/kg)	33 749	33 299
Cost (R/kg)	30 187	29 268
Working profit – (R/kg)	3 662	4 031
Revenue (R/t milled)	194.80	188.07
Cost (R/t milled)	174.24	165.66
Working profit – (R/t milled)	20.56	22.81
Surface operations		
Rock milled (t)	226 000	240 300
Gold produced (kg)	190	163
Yield (g/t)	0.84	0.68
Revenue (R/kg)	33 749	33 298
Cost (R/kg)	18 365	24 515
Working profit (R/kg)	14 384	8 784
Revenue (R/t milled)	28.37	22.67
Cost (R/t milled)	16.28	16.65
Working profit (R/t milled)	12.09	5.97
FINANCIAL RESULTS (R000's)		
Revenue	81 466	80 250
Cost	70 934	60 761
Working profit	10 672	19 489
Sundry revenue – net	1 179	1 575
Profit before taxation and State's share of profit	11 851	12 064
Taxation and State's share of profit	4 215	1 518
Profit after taxation and State's share of profit	7 636	10 546
Capital expenditure	579	842
Dividend declared	–	3 600

TRIBUTE AGREEMENT WITH DRIEFONTEIN CONSOLIDATED LIMITED
Included in net Sundry revenue is R1,7 million (previous quarter – R0,3 million) representing Driefontein Consolidated Limited's share of profit in terms of the tribute agreement.

CAPITAL EXPENDITURE
There are no commitments for capital expenditure. The estimated total capital expenditure for the remainder of the current financial year is R4,3 million.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the date of this report the company had the following outstanding hedging contracts:

Quarter	Kilograms of gold sold	Average realisable value per kilogram sold
1991 – 4th	856	R35 374
1992 – 1st	872	R35 374
1992 – 2nd	448	R35 290

For and on behalf of the board,
J P S TURNER, Chairman
E B CROCKER, Managing director

18 October, 1991

Durban Roodepoort Deep, Limited

Registration No. 01/00326/06

ISSUED CAPITAL: R2 325 000 IN 2 325 000 SHARES

OPERATING RESULTS

	Quarter ended 30-9-1991	Quarter ended 30-6-1991
Underground operations		
Ore milled (t)	291 000	273 000
Gold produced (kg)	1 080	980
Yield (g/t)	3.71	3.83
Revenue (R/kg)	34 330	33 772
Cost (R/kg)	31 979	31 878
Working profit (R/kg)	2 351	1 894
Revenue (R/t milled)	127.41	122.47
Cost (R/t milled)	118.69	115.60
Working profit (R/t milled)	8.73	6.87
Sand Treatment		
Sand treated (t)	197 000	187 000
Gold produced (kg)	140	133
Yield (g/t)	0.71	0.71
Revenue (R/kg)	34 330	33 772
Cost (R/kg)	19 700	19 965
Working profit (R/kg)	14 630	13 807
Revenue (R/t treated)	24.40	24.02
Cost (R/t treated)	14.00	14.20
Working profit (R/t treated)	10.40	9.82
FINANCIAL RESULTS (R000's)		
Revenue	41 882	37 926
Cost	37 295	34 214
Working profit	4 587	3 712
Sundry revenue – net	507	197
Profit before taxation and State's share of profit	5 094	3 909
Taxation and State's share of profits	–	–
Profit after taxation and State's share of profit	5 094	3 909
Capital expenditure	1 706	401

PUMPING ASSISTANCE
Assistance totalling R2,1 million for the pumping of extraneous water was received from the State during the quarter, compared with R2,2 million received during the preceding quarter.
Working costs are reflected net of this assistance.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R0,8 million. The estimated total capital expenditure for the remainder of the current financial year is R2,2 million.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the date of this report the company had the following outstanding contracts:

Quarter	Kilograms of gold sold	Average realisable value per kilogram sold
1991 – 4th	451	R35 655
1992 – 1st	187	R36 961
1992 – 2nd	187	R35 656

For and on behalf of the board,
J. P. S. TURNER, Chairman
P. VOS, Managing director

18 October, 1991

East Rand Proprietary Mines, Limited

Registration No. 01/00773/06

ISSUED CAPITAL AND SHARE PREMIUM: R163 303 163 IN 16 632 000 ORDINARY SHARES; R70 000 000 IN 350 000 "B" CLASS VARIABLE RATE CUMULATIVE REDEEMABLE PREFERENCE SHARES

OPERATING RESULTS

	Quarter ended 30-9-1991	Quarter ended 30-6-1991
Underground operations		
Ore milled (t)	285 000	257 000
Gold produced (kg)	1 642	1 506
Yield (g/t)	5.76	5.86
Revenue (R/kg)	33 766	33 363
Cost (R/kg)	30 746	31 345
Working profit – (R/kg)	3 062	2 038
Revenue (R/t milled)	194.21	195.62
Cost (R/t milled)	177.14	183.68
Working profit – (R/t milled)	17.07	11.94
Sand Treatment		
Sand treated (t)	343 000	354 000
Gold produced (kg)	164	169
Yield (g/t)	0.48	0.48
Revenue (R/kg)	33 709	33 383
Cost (R/kg)	30 369	29 682
Working profit (R/kg)	3 340	3 701
Revenue (R/t treated)	16.12	15.94
Cost (R/t treated)	14.52	14.17
Working profit (R/t treated)	1.60	1.77
FINANCIAL RESULTS (R000's)		
Revenue	66 877	55 816
Cost	58 464	52 222
Working profit	8 413	3 594
Sundry revenue – net	2 223	2 092
Interest: Paid and deferred	13 353	12 992
Loss before taxation and State's share of profit	(5 717)	(7 206)
Taxation and State's share of profit	–	–
Loss after taxation and State's share of profit	5 717	7 206
Capital recoupment – net	3 128	10 255
BORROWINGS at 30 September 1991		
Gross loan facilities	445 211	431 775
Borrowings	331 697	338 102
Deferred interest	92 466	80 375
	424 163	418 477
Proceeds (held in trust) from sale of assets	36 629	35 326

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R0.5 million. The estimated total capital expenditure for the remainder of the current financial year is R2.3 million.

Capital recoupment – net comprises proceeds from the sale of assets less any capital expenditure incurred. Capital expenditure of R1.2 million was incurred in each of the last two quarters.

PUMPING ASSISTANCE
Assistance totalling R1.4 million for the pumping of extraneous water was received from the State during the quarter, compared with R1.9 million received during the preceding quarter.

Working costs have been reflected net of this assistance.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the date of this report the company had the following outstanding hedging contracts:

Quarter	Kilograms of gold sold	Average realisable value per kilogram sold
1991 – 4th	853	R35 437
1992 – 1st	345	R34 379

For and on behalf of the board,
J. P. S TURNER, Chairman
K. F. W. EICK, Managing director

18 October, 1991

Harmony Gold Mining Company Limited

Registration No. 05/38232/06

ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES

OPERATING RESULTS

	Quarter ended 30-9-1991	Quarter ended 30-6-1991
Underground operations		
Ore milled (t)	1 816 000	1 359 000
Gold produced (kg)	6 334	4 748
Yield (g/t)	3.49	3.49
Revenue (R/kg)	33 762	33 641
Cost (R/kg)	32 289	33 526
Working profit – (R/kg)	1 473	115
Revenue (R/t milled)	117.71	117.53
Cost (R/t milled)	112.55	117.13
Working profit – (R/t milled)	5.16	0.40
Surface operations		
Material treated (t)	279 000	177 000
Gold produced (kg)	437	398
Yield (g/t)	1.62	2.25
Revenue (R/kg)	33 762	33 641
Cost (R/kg)	14 439	10 469
Working profit (R/kg)	19 323	23 172
Revenue (R/t treated)	54.64	75.64
Cost (R/t treated)	23.37	23.54
Working profit (R/t treated)	31.27	52.10
FINANCIAL RESULTS (R000's)		
Revenue	204 972	173 116
Cost	188 184	163 345
Working profit	16 788	9 771
Sundry revenue – net	3 076	3 247
Profit before taxation and State's share of profit	19 864	13 018
Taxation and State's share of profit	–	–
Profit after taxation and State's share of profit	19 864	13 018
Capital expenditure/(recoupment) – net	318	(815)

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R0.9 million. The estimated total capital expenditure for the remainder of the current financial year is R7.3 million.

Capital expenditure/(recoupment) is reflected net of the proceeds from sale of assets which totalled R0.3 million, compared to R2.1 million in the preceding quarter.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the date of this report the company had the following outstanding hedging contracts:

Quarter	Kilograms of gold sold	Average realisable value per kilogram sold
1991 – 4th	2 090	R35 484
1992 – 1st	1 194	R34 451
1992 – 2nd	587	R35 247

For and on behalf of the board,
J. P. S TURNER, Chairman
K. F. W. EICK, Managing director

18 October, 1991

GENERAL NOTES

- All the companies mentioned are incorporated in the Republic of South Africa.
- Issued capital values include share premium.
- All financial figures are subject to audit.
- Copies of the above quarterly reports of the directors may be obtained on application to the share transfer secretaries.

United Kingdom secretaries
Viaduct Corporate Services Limited
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom registrars and paying agents
Registration office
Barclays Registrars Limited
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Borrowing talk gives prices the jitters

GILT TRADERS had a jittery week, as a spate of economic evidence supporting theories about a slow UK recovery coincided with projections of a sharp rise in government borrowing during the next three years.

Although continued signs of weakness in the economy helped support gilt prices, the nervousness about the likely change in the government's fiscal position had the opposite effect.

As a result, gilt prices barely changed during the week, although on the previous month prices were down, with a consequent rise in yields. On September 20, the gilt market was on a high, with yields having been pushed down by confident forecasts of lower inflation and downward pressure on short-term interest rates.

Since then, yields have risen by about 30 basis points for long-maturing securities and by rather less for bonds at the short end of the yield curve. Behind the change has been the worry about the government's political fortunes, coupled with concern about the likely rise in the public sector borrowing requirement. Some believe this could climb from about £11bn ($19bn) this financial year (about £3bn above the Treasury's last published estimate) to as much as £20bn in 1992-93. Borrowing demand of this sort would necessitate large gilt issues, depressing prices.

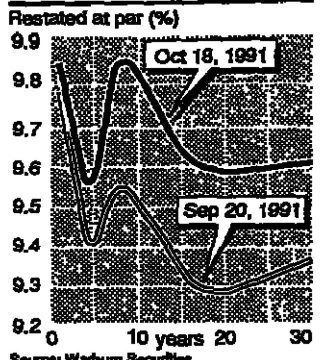
The fears were stoked by figures released last week for the borrowing requirement in September, likely to be the final monthly announcement before next month's autumn statement. In that Mr Norman Lamont, the chancellor, will announce government spending plans for the next three years, with the Treasury's latest estimate of the borrowing requirement for 1991-92.

The figures showed government borrowing running at double last year's levels, as the recession has cut the government's tax-take and increased its spending on unemployment benefits. Last month the borrowing figure was £2.9bn, some £1bn higher than expected. The news knocked a quarter of a point off the prices of government securities as investors expected an increased supply of gilts to fund higher borrowing.

The latest figures mean that, with half the financial year gone, the government has already overshot its £8bn borrowing target for the year. The Treasury reckons that revenues will improve later in the year, as the government claws in extra value-added tax receipts which have been slow to come in since changes in the tax rate were announced in the March budget. However, no one expects the Treasury to stick to the £8bn borrowing forecast when it comes out with a new figure next month.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The worries about borrowing among gilt specialists were countered partially last week by other economic data showing that manufacturing output has so far shown little sign of increasing, even though the decline of the past 18 months appears to have stopped. Also, the Bank of England published figures for the money supply showing that demand for credit in the economy was low, which is expected to impede the expected recovery and keep inflationary pressures low.

According to the bank's statistics, the broad M4 measure of money rose at a seasonally adjusted yearly rate of 6.4 per cent last month, the lowest figure for 21 years. The measure includes private-sector holdings of notes and coins and bank and building society lending.

According to Mr David Owen, an economist at Kleinwort Benson, aversion to risk was still high, in spite of recent cuts in bank base rates and a rise in consumer and business confidence, which was indicated by consumers and companies being little inclined to take on debts.

Mr Michael Saunders, an economist at Salomon Brothers, said: "The weak monetary data indicate the forces that are going to stop the economy making a strong recovery." While gilt traders gain comfort from words of this sort, they continue to await Mr Lamont's statement next month with trepidation.

Peter Marsh

JAPANESE BONDS

Traders find they can do without Big Four

WHILE bond traders at the Japanese Big Four brokerages – Nomura, Daiwa, Nikko and Yamaichi – were being "re-educated" through videos and lectures during the business suspension which started last week, the bond market, unaffected by their absence, posted sharp rallies.

The stronger yen, a fall in short-term interest rates and rumours of an imminent discount rate cut encouraged institutional investors, including insurance companies and banks, to trade actively.

"There hasn't been the disaster that people have been expecting," says Mr Marshall Gittler, bond analyst at UBS Phillips & Drew. Ironically, the fall in liquidity due to the absence of the Big Four exaggerated the rise in prices, as the sharp increase in demand for bonds could not be met.

Last Friday, yields plunged on renewed hopes of an imminent cut in the official discount rate, when Mr Kiichi Miyazawa, who is expected to become Japan's next prime minister, called for an easing in monetary conditions.

The yield on the 129 10-year benchmark bond, which has been moving in a narrow range around 5.9 per cent at the beginning of the month, closed at an all-time low of 5.805 per cent, while the overnight unsecured call rate fell below 6.8 per cent for the first time since March 1990, closing at 6.75 per cent.

The Bank of Japan now faces mounting pressure to cut the official discount rate, as recent economic releases have shown growth slowing further. Industrial production for August announced last week indicated a 2.5 per cent month-on-month decline. A government official expressed worries that quarterly industrial output showed the economy was heading for the most serious slowdown since the oil crisis of the early 1970s.

The Ministry of International Trade and Industry has also indicated concern, pointing to the sluggish domestic growth as the main cause of the recent surge in Japan's trade surplus.

Some industrial companies have blamed tight monetary conditions as the main reason for their fund-raising difficulties, prompting cuts in planned capital spending.

The central bank, trying to alleviate some of the pressures, last week reduced reserve ratios for commercial banks for the first time in 10 years. The move was seen as a step towards monetary easing, as the Bank of Japan lowered the price of credit by cutting reserve requirements for deposits of more than Y2,500bn ($19bn) by 0.475 percentage points to 0.9 per cent. The Bank also injected excess funds into the short-term money market.

The outlook remains positive for the bond market. Economists predict a gradual easing of monetary conditions during the next six months. Barclays de Zoete Wedd sees the official discount rate coming down to 4.25 per cent by March.

Trading by dealers looking for short-term profits is likely to increase, and institutional investors holding funds in the short-term money markets are expected to shift funds due to the fall in short-term money rates.

Moreover, bond market participants have gained confidence that business can be done without the dominant Big Four.

Emiko Terazono

US MONEY AND CREDIT

Strong inflation data knock bonds

FOR A bond market that had dropped its guard against inflation, last week's consumer prices data were a surprise right hook. Bonds were left slumped on the canvas after the Labor Department reported that consumer prices had risen 0.4 per cent in September, twice the expected increase.

The subsequent 1¼ point drop in the benchmark 30-year bond, which pushed the yield above 8 per cent for the first time in more than a month, was one of the largest single-day declines this year.

The consumer prices data led some analysts to pronounce that the Federal Reserve's "window of opportunity" to ease monetary conditions had temporarily closed. According to the minutes of the August 20 meeting of the policy-making Federal Open Market Committee, the Fed was hoping that the autumn numbers would show "an appreciable decline in the core rate of inflation".

Thursday's figures showed no such thing; core consumer prices (excluding energy and food) rose 0.4 per cent for the fourth consecutive month – a trend described as "worrisome" by C. J. Lawrence chief economist, Mr Ed Yardeni.

As always, however, a closer inspection of the statistics reveals that the headline and core totals were distorted by unusual factors.

The chief culprits were housing costs, which jumped 0.5 per cent after several months of modest growth, and tobacco product prices, which leapt 1.3 per cent.

The rise in tobacco prices, according to Mr Philip Braverman, economist with DKB Securities in New York, was a reflection of excise "sin" tax increases, aimed at discouraging Americans from smoking the deadly weed.

The jump in housing costs was even more unusual, said Mr Braverman, as it stemmed primarily from imputed rent, "a bizarre component that reflects the absurdity of what homeowners say they would ask for renting their home".

Without the tobacco and housing components, core inflation was up just 0.2 per cent last month. The trend rate for CPI so far this year remains at 3 per cent. So Thursday's reaction to the consumer prices data was overdone, a point reinforced by the way bonds rallied on Friday – a sheepish apology from the market for having gone too far.

The market was not just shaken by the inflation report. On Thursday the Bush administration suggested that it might use fiscal policy to stimulate the flagging economy. In a meeting at the White House with Republican legislative leaders, President Bush raised the prospect that he might, with the help of Congress, introduce a "growth package" that includes a capital gains tax cut, incentives for new home buyers, an expansion of tax deductions on individual retirement accounts (IRAs), and cuts in social security taxes.

The administration has not disguised its frustration with what it believes has been an overly cautious approach to the Fed's interest rate cuts. With a presidential election due next year and the economy showing no sign of providing a handy pre-poll boomlet, the White House may want to take charge of stimulating the economy itself through some fiscal fine-tuning.

If there were tax cuts, any plans for an ease in monetary conditions would have to be put on hold. It was this thinking that probably exacerbated Thursday's decline in bond prices. As Mr Stephen Slifer, economist with Shearson Lehman, put it: "Until last week the bond market had thought that monetary policy was the only game in town."

The spectre of tax cuts and consumer inflation aside, the outlook for the bond market remains relatively bright.

Although there are few economic announcements of much interest over the next five days, the following week sees the keenly awaited third-quarter gross national product figures.

Original estimates that GNP grew by more than 3 per cent between July and September have been revised in the wake of recent industrial production and trade data, which have shown a slowing of manufacturing and export growth. The 0.1 per cent rise in September's industrial production was particularly disturbing, because it followed a (revised) August figure of zero growth in production.

The range of Wall Street economists' forecasts for third quarter GNP growth now stands at 1.5 per cent to 2.5 per cent, and the bulk of that growth will have been due to slower inventory reduction than in the previous quarter. Anything above 2.5 per cent growth will be a surprise, and could delay another ease. The likelihood, however, is that the Fed will have already acted by then.

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.88	4.75	5.13	11.00	2.08
Three-month Treasury bills	5.16	5.09	5.33	8.29	5.09
Six-month Treasury bills	5.25	5.20	5.45	7.70	5.20
Three-month prime CDs	5.43	5.40	5.47	7.17	5.40
30-day Commercial Paper	5.27	5.25	5.40	7.12	5.25
90-day Commercial Paper	5.30	5.30	5.41	7.02	5.30

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99½	[illegible]	7.21	7.17	7.37
20-year Treasury	113⅜	[illegible]	7.70	7.73	7.82
30-year Treasury	101[illegible]	[illegible]	7.95	7.88	7.89

Money supply: In the week ended October 7, M1 rose by $0.7bn to $875.8bn.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	103		6.51
ABN 9 1/8 94	200	104½		7.26
AETNA LIFE & CAS 7 3/4 16	200	100⅝		7.71
ALBERTA PROVINCE 8 5/8 96	750	104⅛	-⅛	7.52
ALBERTA PROVINCE 9 3/8 95	600	107⅛		7.27
AMERICAN EXPRESS 0 00	450	45½	+⅛	8.89
AMERICAN GENERAL 9 3/4 95	100	104⅛		8.34
AMERICAN INTL 0 04	750	34½		8.74
ASIAN DEV BANK 0 04	1000	34⅝	+⅛	8.56
AUSTRALIA 11 95	200	110⅜	-½	7.58
AUSTRALIAN WHEAT 9 1/2 93	200	105⅛		6.80
[illegible]				
SEAB 9 1/2 95	500	106¼	-⅛	7.32
SEAGRAM CO 8 1/2 96	100	100⅝	+⅛	8.30
SEARS O/S FIN 0 98	500	55¼		9.07
SEARS O/S FIN 11 5/8 93	150	107¼		7.57
SEARS ROEBUCK EURO 9 3/4 95	500	106¼	-⅛	7.90
SNCF 7 1/4 94	175	101⅝	-⅛	6.44
SNCF 9 1/2 98	150	108⅛		7.82
STATE BK NSW 8 1/2 96	200	102⅛		7.76
STATE BK STH AUST 9 1/4 93	100	103⅛		6.53
STATOIL 7 5/8 94	200	100⅝	-⅛	7.36
STH AUST GOVT FIN 8 3/4 93	100	102⅛		6.63
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅛		7.11
[illegible]				
RALSTON PURINA 11 3/4 95	150	110½	+⅛	8.21
REED PUBLISHING 9 5/8 97	150	106	+⅛	8.25
REYNOLDS (RJ) 10 1/4 93	100	101½	+⅛	9.27
SAINSBURY 9 1/8 96	150	105½		7.74
SARA LEE 9 3/8 93	150	104		6.98
SAS 10 97	200	104½	+⅛	9.09
SAS 10 1/8 95	150	106½	-⅛	8.22

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	88	+½	7.17
AUSTRIA 4 5/8 98	100	88	-⅛	7.04
CHUBU ELEC POWER 6 3/4 01	300	99½	-⅛	6.82
COUNCIL EUROPE 4 3/4 98	250	87	-⅛	7.39
EEC 5 1/2 00	100	89½		7.10
EIB 6 1/2 98	400	98		6.87
ELEC DE FRANCE 7 1/4 06	100	101½	+⅛	7.07
FINLAND 5 3/8 95	150	94½	+⅛	6.98
GENERAL MOTORS 7 1/2 95	100	100	+⅛	7.48
JAPAN DEV BK 5 1/2 94	100	95⅛	+⅛	7.95
KOBE 6 3/8 01	240	96½		6.87
[illegible]				
NAT BK HUNGARY 8 96	200	90½		10.59
QUEBEC HYDRO 6 3/4 99	300	89½	+⅛	8.66
SWEDEN 6 1/8 98	300	89½	+⅛	8.35
VENEZUELA 8 1/4 95	100	96½	+⅛	10.19
WORLD BANK 0 15	2000	17½	+⅛	7.38
WORLD BANK 5 3/4 96	300	90½	-⅛	8.33
WORLD BANK 7 1/8 95	500	97⅛	-⅛	8.15

[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Hanson arranges £5.5bn package

HANSON, the acquisitive UK-based industrial conglomerate, has just completed the arrangements for loans and refinancings of existing debt worth a total of almost £5.5bn.

The group has succeeded in securing rather tightly-priced funding, part of which is intended to cover the cost of acquiring Beazer, the UK house-builder.

Last week, Hanson agreed a seven-year $4bn syndicated loan, for which Chemical Bank is global co-ordinator. Bankers have described the loan as a technical highly leveraged transaction (HLT), believed to be the largest deal agreed in the last two years. However, they point out that while HLTs often carry very high margins, in Hanson's case the margin is 75 basis points over the London interbank offered rate (Libor), while fees are about 37 basis points.

"Hanson is a quality name which means that its pricing is considerably lower than that for other HLTs," said one banker, adding that the group had a reputation for aggressively priced loans.

However, while market sources suggested that the deal would be successfully syndicated, they added that the large size could prove a problem.

The $4bn loan is understood to consist of $2.2bn of new money and $1.8bn to refinance an existing syndicated loan which Hanson arranged in 1990 to pay for its $1.2bn acquisition of Peabody Holding, the US coal mining concern. The loan was originally for $2.6bn and had a margin of 50 basis points over Libor.

Hanson is also understood to have renegotiated a £3bn syndicated loan which was signed in 1989 to cover the acquisition of Consolidated Goldfields.

The loan, of which £2.7bn is outstanding, was due to mature in August 1992 and has a margin of 15 basis points over Libor.

However, one of the conditions of the loan is that if Hanson's debt exceeds its cash, the margin rises to 25 basis points over Libor. The acquisition of Beazer, Britain's fourth largest house-building company, will trigger that increase, according to bankers.

The £2.7bn loan has now been renegotiated: Hanson will pay a margin of 25 basis points until August 1992, and a margin of 37.5 basis points above Libor on £2.7bn until November 1992, whereupon it will repay part of the loan.

The remaining £1.8bn loan will be due for repayment in November 1995, and has a margin of 37.5 basis points. The maximum fees are 17.5 basis points. The lead managers are Barclays Bank, Credit Suisse First Boston and National Westminster (which is the global co-ordinator).

Bankers said they considered the spread on the four-year loan to be "reasonable" and drew a comparison with the terms on the syndicated loan launched by Grand Metropolitan, the UK leisure group, in June.

GrandMet had planned a $2.5bn financing with a spread of 37.5 basis points above Libor and fees of about 27.5 basis points for banks which took the maximum commitment of $150m.

Despite grumbles from some of the banks that the terms were aggressive, the deal was oversubscribed and GrandMet raised about $3bn on its four-year facility.

Finally, Hanson has arranged a £400m short-term credit facility, repayable in November 1992, to cover the £332m acquisition of Beazer. Again, the margin is 37.5 basis points over Libor, and there is a commitment fee of 12.5 basis points.

Sara Webb

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	117.3	422.6	50.0	11,684.7
Prev	659.4	186.8	152.3	15,905.8
Other	5,348.7	0.0	88.3	12,725.9
Prev	4,455.3	0.0	38.6	10,898.3
Secondary Market				
US$	20,275.8	1,739.5	6,272.2	6,899.7
Prev	18,389.8	912.2	3,089.2	11,105.2
Other	56,107.6	818.5	3,614.4	85,661.5
Prev	45,949.5	722.2	5,455.1	74,962.6

	Cedel	Euroclear	Total
US$	19,064.2	29,797.6	48,861.8
Prev	18,607.3	31,112.6	49,719.9
Other	58,364.3	106,000.6	164,364.9
Prev	51,471.0	91,010.6	142,481.6

Week to October 17, 1991 Source: AIBD

INTERNATIONAL BONDS

Fear of bad habits returning as firms criticise prices

A STRIKING feature of the international bond market in recent weeks has been the wide disagreement between underwriters over the "correct" pricing of new issues. Following a period during the early part of the year when allegations of mis-pricing were few, the fragile consensus among syndicate officials appears to have cracked.

Last week there were more instances of new issues which competitor firms said could not be sold at the issue price. BMW's $200m five-year deal launched through Dresdner Bank last Monday came in for a storm of criticism. The yield spread of 50 basis points above US treasury bonds was, said the critics, at least 10 basis points too low.

Credit National's Y30bn issue via Mitsui Taio Kobe on Wednesday was also described by syndicate officials as having impossibly tight pricing.

Even the biggest underwriting firms have been attacked. Credit Suisse First Boston's $300m 10-year deal for Prudential, the UK insurance company, was launched at a yield spread of 75 basis points over US government bonds, again 10 basis points too tight according to rival firms.

Observers outside the Eurobond market ask how such apparent instances of mis-pricing can come about.

Even the harshest critics admit that pricing of a new Eurobond issue - particularly for corporate borrowers, such as Prudential or BMW, which come to the market infrequently - is more of an art than a science.

The first problem can be finding a credible benchmark bond issue trading in the secondary market against which to judge the issue.

For example, the lead manager of Credit National's Euroyen issue said the deal had been priced to yield a healthy 18 basis points more than an issue of comparable maturity from SNCF, the French state rail company.

However, critics said that the SNCF issue carried a government guarantee, unlike the Credit National one. Moreover, the issue does not trade widely, leading to a shortage of paper in the secondary market and a lower yield than might otherwise be the case. Hence the SNCF issue was not an appropriate yardstick.

Finding a benchmark against which to price a deal is even more difficult where the majority of outstanding bonds in the secondary market are trading above face value. This is the case in the Eurodollar market.

US interest rates have fallen so far that many outstanding bonds trade substantially above par. Few investors are willing to buy these issues. Investors can encounter accounting and tax complications from buying a bond at, say, 105 per cent of face value when the bond is eventually redeemed at par.

The result is that many of the old, accepted benchmark Eurodollar bond issues are no longer a reliable guide to "fair" value. Secondary market prices have become detached from primary market prices.

Even if a comparable, liquid benchmark can be found, pricing a new issue can still be a matter of educated guesswork. For example, before Prudential's Eurodollar bond issue last week, the company had not borrowed in dollars for years.

The old issues were largely illiquid and gave little clue as to the correct yield for new bonds. And how would the market regard Prudential as a credit after such a long absence from the market?

These problems were reflected in the wide disparity of bids which the company received from syndicate officials. The yield spread of 75 basis points above US treasury bonds proposed by CSFB was not the lowest bid received. Bids ranged from 69 to 89 basis points over treasury bonds, according to other participants in the bidding process.

A further question is whether borrowers are partially to blame for the poor performance of new issues by asking firms to bid for issue mandates, rather than awarding the mandate to a trusted adviser and then discussing price.

The process of competitive bidding, it is argued, leads firms to put in dangerously tight bids – especially where the borrower has a reputation for accepting the lowest bid.

For example, the European Community came in for heavy criticism in February when it launched two Ecu-denominated Eurobond issues, lead managed by Dresdner and CSFB.

The tightly-priced issues were launched into an Ecu bond market awash with unplaced paper. Both fared badly.

The Ecu500m seven-year issue lead managed by Dresdner fell from a launch yield of 10 basis points less than French government Ecu-denominated paper to 5 basis points more.

Many firms privately criticised the EC for accepting the lowest available bid, regardless of market consensus. The EC argued that, as a public body, it had a duty to achieve the lowest possible cost of funds.

Hence to blame mis-priced deals on the greed or incompetence of Eurobond firms would be simplistic. But syndicate officials are concerned that, following a profitable first half of the year characterised by strong issue volume and generally sensible pricing, bad habits are returning.

The fixed price re-offer method of syndicating new issues was introduced to help restore order and profitability to the primary market. This has partly been achieved. But even the most active proponents of the technique point out that badly-priced issues will founder whatever syndication method is used.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
BMW Leasing Corp†	200	1996	5	7⅛	101.45	Dresdner Bk	7.418
Credit Foncier de France†	500	2002	10.167	8	99.40	JP Morgan Secs	8.085
Nip Telegraph & Telephone†	250	1996	5	7¼	101.355	JP Morgan Secs.	6.925
Bacob Overseas(c)‡†	225	1994	3	(c)	100	UBS Phillips & Drew	-
Toyota Motor Fin BV†	250	1994	3	6½	100.2875	Merrill Lynch	6.393
Hosiden Corp♦	100	1995	4	4¼	100	Daiwa Europe	4.250
Dong-A(f)§	23	2006	14.833	(3-3½)	100	Baring Bros./Daishin	-
Fortis Finance NV†	300	1996	5	7¼	101.525	JP Morgan Secs.	7.380
Merrill Lynch & Co Inc.†	150	1994	3	7¼	100.685	Merrill Lynch	6.993
Suzutan Co♦	100	1995	4	4	100	Nomura Int.	4.000
Siderca SAIC(k)†	50	1996	5	10	98.85	Lehman Bros.	10.585
LTCB Int (l)‡†	50	2001	10	(l)	100.10	LTCB Asia	-
Fiat Finance & Trade†	150	1996	5	8	101.275	Goldman Sachs	7.688
Daiwa Int Fin (o)†	100	2003	12	8⅜	100	Daiwa Bk Cap.Man.	8.375
STERLING							
Welsh Water†	75	2002	10⅓	10¾	100¾	Baring Bros.	10.625
ECUs							
Mitsubishi Materials(b)♦†	300	1995	4	6⅛	100	Nikko Secs.	6.125
Maruzen♦	80	1995	4	6⅛	100	Nikko Secs.	6.125
CANADIAN DOLLARS							
Deutsche Bk Fin.NV(g)†	100	1996	5	9⅜	103.165	Deutsche Bk Cap.Mkts.	8.583
Bco Nac d'Comercio Ext.†	60	1996	5	11	99.675	Bankers Trust Int.	11.086
FRENCH FRANCS							
Fiat Finance & Trade†	800	1995	4	9½	101⅛	Credit Lyonnais	9.158
IBM Int.Finance NV(d)†	350	1997	5¾	10	104.09	CCF	9.073
SNCF†	1bn	1998	7	zero	55.07	CCF	8.707
Deutsche Bk Fin.NV(m)†	400	1996	4¾	8¾	99.071	BNP Capital Markets	8.987
D-MARKS							
Bque.Nationale d'Paris†	200	2001	10	8¼	102.65	Dresdner Bk	7.862
Crediop Overseas Bk†	130	2001	10	8¼	102⅜	Dresdner Bk	7.899
Deutsche Finance NV(h)†	500	1996	5	8½	101.20	Deutsche Bk	8.203
IMI Bank Int.†	150	1996	5	8½	101.70	Deutsche Bk	8.080
SWISS FRANCS							
Sanken Electric Co.(a)★★♦†	100	1995	-	4½	100	Credit Suisse	4.500
Credit Local de France★★†	100	1996	-	7¼	102	Bque.Paribas (Suisse)	6.772
Chuo Paperboard(e)★★§	50	1996	-	4½	100	Nikko (Switz) Fin.	4.499
AG Ajikawa★★†	20	1996	-	7⅝	99⅝	DKB (Schweiz)	7.717
GUILDERS							
Energie Beheer N'land†	500	1998	7	8¾	100.40	ABN Amro	8.673
SWEDISH KRONOR							
LB Schleswig-Holstein Fin.†	300	1996	5	10¾	101.40	Nomura Int.	10.384
PESETAS							
EIB(i)†	20bn	1996	5	11.15	102.19	Bco.Bilbao Vizcaya	10.560
LIRE							
Crediop(n)†	300bn	2001	10¾	11.2	102½	Is.Bco.S'Paolo d'Torino	10.773
YEN							
Credit National†	30bn	1998	7	6⅛	101.225	Mitsui Taiyo Kobe Bk	5.909
SBAB†	30bn	1996	5	6⅛	101⅝	Nomura Int.	5.746
Keihin Elec.Express R'Way†	20bn	1999	8	6.65	101.40	Yamaichi Int.	6.423
LUXEMBOURG FRANCS							
Belgelectric Fin.BV(j)†	1.5bn	1996	5	9¼	102.20	Bque.Paribas (Lux.)	8.698
Cr.a L'Industrie Lux.★★†	1bn	1999	8	9⅜	102.10	Cregem Int.	8.996
Accor SA★★†	750	1994	3	9½	102.05	BGL	8.709

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Exercise premium fixed at 2.5%. Non-callable. b) Exercise premium fixed at 2.64%. Non-callable. c) Coupon pays ⅛% over 3-month Libor. Non-callable. d) Fungible with existing FFr1bn deal. Non-callable. e) Put option 31/3/94 at 105⅝% to yield 7.092%. f) Put option after 5 years to yield 7-7¼%. g) Fungible with existing C$250m deal. Non-callable. h) Selling concession fee – 1¼%. Non-callable. i) Fungible with existing Pta20bn deal. Matador issue. Non-callable. j) Amount increased from LFr1bn. Non-callable. k) Callable from 11/93 at 101% declining ¼% annually. Average life 3 years. Coupon payable semi-annually. l) Callable once, 11/94. Coupon pays 60bp over 6-month Libor for first 3 years, then fixed at 9% thereafter. m) Fungible with existing FFr500m deal. n) Fungible with existing L300bn deal. o) Callable on or after 29/10/98 at par. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 18	Oct 17	Oct 16	Oct 15	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3077.15	3053.00	3061.72	3041.37	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.55	97.25	97.24	97.15	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1287.56	1286.43	1286.06	1253.18	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.76	214.51	214.26	214.45	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3089.45 (3077.15) Low 3045.62 (3027.06)

STANDARD AND POOR'S

	Oct 18	Oct 17	Oct 16	Oct 15	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	392.50	391.92	392.80	391.01	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	464.80	464.17	464.98	462.40	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.83	31.74	31.95	31.84	32.24 (14/8)	21.96 (9/1)	36.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	216.15	215.81	216.05	214.90	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	382.49	381.11	381.91	376.94	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	538.90	536.27	540.94	534.11	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 11	Oct 4	Sep 27	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.12	3.08	4.23

	Oct 16	Oct 9	Oct 2	year ago (approx.)
S & P Industrial div. yield	2.69	3.24	2.74	3.59
S & P Indl. P/E ratio	21.44	20.53	21.14	14.15

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Hillcre Ret	5,242,600	18½	---
Dole Food	4,260,900	36	-5⅞
Owens-Corning	3,514,500	24⅞	-8
Santa Fe Pac	3,285,500	11¼	+1
Reebok	3,101,700	29⅝	-⅛
Lilly (Eli)	3,055,500	73¼	-3¼
Am T&T	2,820,500	39	---
Citicorp	2,496,700	11⅞	-⅛
Chiquita Brnd	2,162,900	40⅞	-1⅛
RJR Nabisco	2,126,700	11	+⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 18	Oct 17	Oct 16
New York SE	204.030	202.780	225.290
Amex	14.670	15.419	18.765
NASDAQ	212.126	226.842	223.332
NYSE			
Issues Traded	2,122	2,130	2,134
Rises	877	777	1,039
Falls	723	816	610
Unchanged	522	537	485
New Highs	149	193	193
New Lows	9	13	14

CANADA

TORONTO	Oct 18	Oct 17	Oct 16	Oct 15	1991 HIGH	1991 LOW
Metals & Minerals	3031.99	3015.69	3044.31	2937.29	3299.99 (18/7)	2632.06 (9/1)
Composite	3482.34	3466.15	3462.96	3416.68	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1847.25	1841.04	1845.70	1821.66	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 18	Oct 17	Oct 16	Oct 15	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1617.6	1612.5	1591.4	1586.5	1617.6 (18/10)	1204.5 (16/1)
All Mining (1/1/80)	646.6	647.1	634.4	634.2	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	414.86	412.79	411.40	413.85	534.81 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1103.77	1107.38	1105.65	1105.53	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	359.26	357.02	358.15	358.45	380.04 (2/8)	302.26 (4/1)
FINLAND						
HEX General (28/12/90)	847.5	853.5	853.2	848.6	1126.9 (8/4)	843.3 (2/10)
FRANCE						
CAC General (31/12/82)	491.70	494.76	492.27	489.87	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1864.20	1855.47	1863.40	1856.89	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	639.82	639.90	649.83	653.76	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1882.3	1882.2	1825.3	1836.2	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1563.25	1564.51	1578.11	1585.04	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4015.91	4018.43	(c)	4033.75	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1442.82	1447.61	1442.31	1431.46	1520.65 (15/5)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	531.81	531.89	522.74	(c)	619.38 (3/6)	496.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24894.82	24439.85	24334.67	24307.65	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1881.70	1890.58	1850.05	1848.56	2028.85 (18/3)	1825.00 (17/1)
2nd Section (4/1/68)	2829.53	2830.06	2826.39	2836.08	3423.45 (18/3)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	516.60	517.59	517.24	514.59	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	280.4	281.2	281.2	280.6	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.2	197.8	197.8	197.3	205.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	724.54	711.32	698.41	704.30	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1019.42	1018.85	1034.22	1030.53	1183.40 (29/5)	982.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	377.76	378.11	376.16	376.36	422.43 (26/4)	315.87 (14/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1178.0§	1174.0	1155.0	1183.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4078.0§	4061.0	4027.0	4049.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	696.53	695.76	692.86	700.18	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	265.06	264.82	265.47	263.55	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	978.20	970.00	972.20	965.20	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	763.8	756.3	753.8	744.6	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	619.9	615.7	614.2	609.7	630.0 (31/5)	487.1 (14/1)
TAIWAN*						
Weighted Price (30/6/66)	4334.30	4504.04	4389.23	4568.61	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	619.34	614.08	626.36	(c)	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	525.6*	520.9	519.2	517.9	529.2 (17/4)	439.1 (16/1)

*Saturday October 12: Taiwan Weighted Price: 4823.67. Korea Comp Ex. 701.99

*Calculated at 15.00 GMT.

§ Subject to official recalculation.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, 18 October, 1991

	Stocks Traded	Closing Prices	Change on day
Meiji Milk	28.0m	1,160	+30
Nippon Mining	17.9m	647	+27
Hitachi Zosen	10.2m	730	+17
Mitsui	8.8m	865	+22
Chiyoda	7.5m	2,370	+140
NKK	7.1m	410	+18
Nippon Ch-con	6.7m	991	+63
Showa Shell S	6.3m	2,120	+70
Cosmo Oil	5.6m	955	+22
Nippon Steel	4.8m	415	-5

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

London & Manchester Tst Mgmt (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

American	6	44.44	44.65	47.91	2.3	40828
General	6	67.15	67.59	72.52	3.8	40829
Income	6	52.49	53.50xd	57.40	6.3	40830
International	6	44.17	44.61	47.87	1.6	40831
Japan	6	42.51	42.97	46.10	0.0	40832
Tst of Inv Trusts	6	42.75	43.65xd	46.83	2.6	40833

M & G Securities (0915)H
Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 071-626 4588 Unit Dealing 0245 266266

Amer & General	5	288.05	288.1	304.6	0.76	40834
(Accum Units)	5	353.26	353.3	373.6	0.76	40835
Amer Recovery	5	278.15	278.2	294.2	0.6	40836
(Accum Units)	5	315.71	315.8	334.0	0.6	40837
Amer Smllr Cos	5	80.68	82.10	86.80	–	40838
(Accum Units)	5	82.43	83.90	88.70	–	40839
Australasian	5	110.02	110.1	116.4	1.6	40840
(Accum Units)	5	129.38	129.4	136.8	1.6	40841
Capital	5	522.08	522.1	552.1	4.24	40180
(Accum Units)	5	551.16	551.2	582.8	4.24	40099
Charifund	1	545.52	555.8	561.4	6.6	40885
(Accum Units)	1	2018.6	2053.3	2073.9	6.6	40886
Commodity	5	242.76	242.8	256.8	2.1	40842
(Accum Units)	5	347.0	347.0	367.0	2.1	40843
Compound Growth	5	665.36	665.4	703.7	4.2	40844
Dividend†(20-1)	5	29.21	29.30	31.40	5.93	40847
(Accum Units)†(20-1)	5	105.31	105.8	113.3	5.93	40848
Equity Income	5	244.12	251.2	265.6	5.39	40846
(Accum Units)	5	267.21	274.9	290.7	5.39	41496
European	5	312.44	315.3	333.4	1.58	40849
(Accum Units)	5	385.4	389.0	411.3	1.58	40850
European Dividend	5	48.44	48.50	51.70	5.42	47788
(Accum Units)	5	51.96	52.00	55.40	5.42	47789
Extra Yield	5	320.27	322.4xd	345.0	6.36	40851
(Accum Units)	5	865.34	871.2	932.2	6.36	40852
Far Eastern	5	187.95	189.8	200.7	1.11	40853
(Accum Units)	5	243.16	245.6	259.7	1.11	40854
Fund of Inv Tsts	5	404.64	414.4	438.2	2.78	40855
(Accum Units)	5	706.79	723.8	765.4	2.78	40856
General †(20-1)	5	47.27	47.30	50.00	4.85	40857
(Accum Units) †(20-1)	5	116.94	117.0	123.7	4.85	40858

Midland Unit Trust Mgrs Ltd

Japan Growth	6	41.76	41.98	44.66	–	44500
Managed	6	56.35	57.15	60.80	1.83	44504
Money Market	6	70.32	70.32	74.54	10.05	44501
North American	6	61.57	62.19	66.16	1.52	44505
Midland FSAVCS Unit Trust*						
British	6	67.38	68.30	72.66	2.87	44912
European Growth	6	59.39	59.41	63.20	1.03	44651
Gilt & Fixed Int	6	59.75	59.75	63.39	9.50	44652
Income	6	62.69	63.89	67.97	4.69	44653
Japan Growth	6	41.74	41.95	44.63	–	44913
Managed	6	53.90	54.68	58.17	1.83	44654
Money Market	6	66.22	66.22	69.13	10.00	44914
North American	6	58.54	59.11	62.88	1.53	44915
Midland Executive Pension Unit Trust*						
British	6	68.48	69.42	73.85	2.87	44909
European Growth	6	58.32	58.34	62.06	1.03	44910
Gilt & Fixed Int	6	57.61	57.61	61.12	9.50	44646
Income	6	63.03	64.25	68.35	4.72	44647
Japan Growth	6	42.59	42.82	45.55	–	44648
Managed	6	57.48	58.31	62.03	1.83	44650
Money Market	6	63.42	63.42	67.22	10.00	44911
North American	6	62.84	63.43	67.48	1.53	44649

* On a switch, units will be issued at bid price.

For MIM Britannia see INVESCO MIM

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

American Gwth	5¼	171.4	171.4	183.2	0.78	41048
European Gth Inc	5¼	194.5	194.5	207.4	0.00	46686
European Gth Acc	5¼	194.5	194.5	207.4	0.00	41049
Intl Gwth	5¼	147.2	147.2	156.6	0.00	41050
UK Equity Inc	5¼	116.2	116.2xd	124.9	4.31	41046
UK Equity Acc	5¼	134.8	134.8xd	144.9	4.31	41047
UK Ind Tracker Inc	5	124.3	124.3	132.8	3.69	44656
UK Ind Tracker Acc	5	135.2	135.2	144.4	3.69	44655
US Eq Ind Tracker Inc	5	146.6	146.6xd	156.1	2.90	44658
US Eq Ind Tracker Acc	5	150.2	150.2xd	161.1	2.90	44657
Japan Tracker	5	67.09	67.09	71.15	0.00	44921
Asian Tracker	5¼	79.04	79.04xd	85.23	1.83	40189
Managed Inc	5¼	102.2	102.2	109.9	1.90	44922
Managed Acc	5¼	103.8	103.8	111.7	1.90	44923
Cash Inc	0	100.21	100.21xd	100.21	10.28	44556
Cash Acc	0	111.41	111.41xd	111.41	10.28	44555
Europa	5¼	103.1	103.1	110.5	0.00	43122

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth				0202 298422		
Cash	1	51.39	51.39	51.90	10.6	45246
Cntrld Prfrmnce	5½	48.27	48.57	51.81	9.27	45075
Ethical	5¼	50.06	51.08xd	54.34	4.65	46948
European Growth	5½	47.40	47.40	50.55	3.2	46171
Income	5¼	47.55	48.09	51.30	7.31	41394
Intl Growth	5½	64.95	65.44	69.80	3.29	41395
Managed	5¼	59.22	59.93	63.92	4.40	41396
UK Growth	5¼	52.01	52.69	56.20	5.46	41397
Standard Chartered Equitar (1200)F						
69 Old Broad Street, EC2M 1QS				071-280 6521		
Mngd Exempt Acc	3	198.7	201.2	209.5	2.94	41499
Do Income	3	189.6	192.0	199.9	2.94	41321
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ				0800 393777		
Managed Acc	5¼	36.34	36.34	38.62	2.39	41398
UK Equity Gth Acc	5¼	48.62	49.50	52.60	2.01	41399
UK Eq High Inc Inc	5¼	33.20	33.98xd	36.11	5.68	41400
UK Eq High Inc Acc	5¼	37.33	38.21	40.60	5.68	46962
UK Equity Gen Acc	5¼	46.86	47.60	50.58	3.13	41401
UK Equity Gen Inc	5¼	36.67	37.23xd	39.58	3.13	41402
UK Larger Cos Acc F	7¼	303.5	307.6	333.8	4.48	41403
UK Larger Cos Inc F	7¼	244.4	247.7xd	268.8	4.48	41404
Gilt & Fxd Int Inc	5¼	27.17	27.24xd	28.81	8.28	41405
O'seas Lrg Cos Acc F	7¼	218.3	222.5	241.5	2.08	41406
Nth American Acc	5¼	35.52	35.74	37.98	0.61	41407
Far East Acc	5¼	42.74	43.83	46.57	0.20	41408
European Acc	5¼	33.11	34.79	36.97	1.67	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American	5	301.5	301.5	321.9	1.31	41410
(Accum Units)	5	352.7	352.7	376.6	1.31	41411
British	5	817.3	817.3	875.2	5.47	41416

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

US rate speculation comes to the fore

Speculation about the likelihood of a reduction in US interest rates returned to dominate the foreign exchange markets last week and pushed aside concern that the Group of Seven industrial nations were attempting a revaluation of the yen.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The market's first reaction after the G-7 meeting was to push the dollar higher: after all, the G-7 had officially said nothing about the need for a lower dollar or a higher yen.

But as the week rolled on, the economic statistics reminded the foreign exchanges that America is showing only a feeble response to the reductions this year in interest rates. Talk that the Federal Reserve may have to push short-term money market rates lower became more widespread.

The dollar gave up its gains and by Friday was back in the range it has traded in for much of the last three months. There have been many false dawns about a cut in US interest rates so far this year.

But this time there seems to be greater pressure from international markets for lower US rates. France cut its intervention rate by ¼ point to 8.75 per cent on Thursday; Japanese call money rates have been heading lower and there is a widespread belief that rates will soon fall.

However, interest rates are not falling everywhere. Inflation worries are keeping Swiss and German rates firm, while the recent weakness in sterling is preventing an early cut in the UK.

Easier monetary policy in the US might weaken the dollar further. But, if other countries follow the US, the impact on the dollar might eventually be neutral.

£ IN NEW YORK

Oct.18	Close	Previous Close
£ Spot	1.7260-1.7270	1.7185-1.7195
1 month	0.75-0.73pm	0.76-0.74pm
3 months	2.06-2.03pm	2.10-2.07pm
12 months	7.05-6.95pm	7.22-7.12pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.18	Previous
8.30	am	90.4	90.2
9.00	am	90.4	90.2
10.00	am	90.4	90.2
11.00	am	90.3	90.2
Noon		90.4	90.2
1.00	pm	90.4	90.2
2.00	pm	90.4	90.2
3.00	pm	90.4	90.2
4.00	pm	90.4	90.3

CURRENCY MOVEMENTS

Oct 18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-21.1
U.S. Dollar	64.5	-14.5
Canadian Dollar	106.7	+4.2
Austrian Schilling	109.0	+11.4
Belgian Franc	110.7	-2.4
Danish Krone	108.4	+3.1
D-Mark	117.9	+23.7
Swiss Franc	109.2	+17.8
Dutch Guilder	113.3	+15.4
French Franc	101.8	-13.8
Lira	92.5	-19.9
Yen	143.5	+77.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.17

POUND SPOT - FORWARD AGAINST THE POUND

Oct 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7156 - 1.7255	1.7245 - 1.7255	0.75-0.73cpm	5.15	2.08-2.05pm	4.79
Canada	1.9360 - 1.9460	1.9405 - 1.9415	0.39-0.31cpm	2.16	1.09-0.97pm	2.12
Netherlands	3.2715 - 3.2875	3.2775 - 3.2875	[illegible]	[illegible]	[illegible]	0.91
Belgium	59.75 - 60.15	60.05 - 60.15	10-5cpm	1.50	18-11pm	0.97
Denmark	11.1990 - 11.2700	11.2600 - 11.2700	[illegible]	0.73	[illegible]	0.60
Ireland	1.0880 - 1.0900	1.0890 - 1.0900	0.02-0.06cdis	-0.44	0.01-0.11dis	-0.22
Germany	2.9100 - 2.9150	2.9100 - 2.9150	[illegible]	[illegible]	[illegible]	1.03
Portugal	249.50 - 251.10	250.10 - 251.10	1-43cdis	-1.05	89-152dis	-1.92
Spain	182.85 - 183.85	183.30 - 183.60	27-39cdis	-2.16	87-102dis	-2.06
Italy	2173.00 - 2179.15	2176.50 - 2177.50	par-3liredis	-0.95	4-6dis	-0.92
Norway	11.3765 - 11.4425	11.4325 - 11.4425	[illegible]	0.53	[illegible]	-0.33
France	9.9045 - 9.9495	9.9275 - 9.9375	[illegible]	1.36	[illegible]	1.01
Sweden	10.5830 - 10.6425	10.6325 - 10.6425	[illegible]	-0.35	[illegible]	-0.63
Japan	222.70 - 224.25	223.25 - 224.25	[illegible]	4.02	[illegible]	3.80
Austria	20.45 - 20.53	20.48 - 20.51	[illegible]	1.06	[illegible]	0.99
Switzerland	2.5400 - 2.5500	2.5400 - 2.5500	[illegible]	2.06	[illegible]	1.87
Ecu	1.4195 - 1.4256	1.4220 - 1.4230	0.11-0.06cpm	0.72	0.26-0.17pm	0.60

Commercial rates taken towards the end of London trading. Six month forward dollar 3.91-3.86cpm. 12 Month 7.10-7.00pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Oct.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.725	2.913	223.8	9.933	2.545	3.283	2177.	1.941	60.10	1.423
$	0.580	1	1.689	129.7	5.758	1.475	1.903	1262	1.125	34.84	0.825
DM	0.343	0.592	1	76.83	3.410	0.874	1.127	747.3	0.666	20.63	0.488
YEN	4.468	7.708	13.02	1000	44.38	11.37	14.67	9727	8.673	268.5	6.358
F Fr.	1.007	1.737	2.933	225.3	10	2.562	3.305	2192	1.954	60.51	1.433
S Fr.	0.393	0.678	1.145	87.94	3.903	1	1.290	855.4	0.763	23.61	0.559
N Fl.	0.305	0.525	0.887	68.17	3.026	0.775	1	663.1	0.591	18.31	0.433
Lira	0.459	0.792	1.338	102.8	4.563	1.169	1.508	1000	0.892	27.61	0.654
C $	0.515	0.889	1.501	115.3	5.117	1.311	1.691	1122	1	30.96	0.733
B Fr.	1.664	2.870	4.847	372.4	16.53	4.235	5.463	3622	3.230	100	2.368
Ecu	0.703	1.212	2.047	157.3	6.980	1.788	2.307	1530	1.364	42.23	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

OTHER CURRENCIES

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CHICAGO

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

FINANCIAL TIMES STOCK INDICES

	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 11	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.46	86.56	86.64	86.72	86.70	86.70	87.94	82.17	127.4	49.18
Fixed Interest	96.59	96.59	96.67	96.47	96.48	96.47	97.17	90.59	105.4	50.53
Ordinary	1995.5	1986.8	1980.5	1973.5	1973.6	1953.9	2108.3	1606.3	2108.3	49.4
Gold Mines	165.9	164.3	163.9	166.5	167.5	166.6	222.8	127.0	734.7	43.5
FT Act All-Share	1252.83	1248.19	1242.78	1241.33	1241.30	1234.68	1284.07	987.46	1284.07	61.92
FT-SE 100	2601.1	2588.7	2579.0	2576.7	2574.5	2555.0	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1099.01	1095.78	1095.87	1095.49	1088.51	1088.47	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1165.60	1161.08	1158.25	1158.72	1153.67	1149.55	1198.60	938.62	1198.60	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

BASE LENDING RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Fri Oct 18 US Dollar Index	% chg ($) since 31/12/90	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/90	Gross Div. Yield	Thu Oct 17 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1991 High	1991 Low	Year ago (approx)
Australia (69)	156.42	+32.5	134.44	128.29	137.32	130.47	+28.2	4.88	156.26	135.44	128.21	138.40	130.28	156.42	112.74	126.70
Austria (20)	163.99	-16.6	140.95	134.51	143.96	144.29	-5.7	1.98	162.74	141.06	133.53	144.13	144.03	222.37	154.82	205.16
Belgium (47)	128.92	-2.5	110.80	105.73	113.17	110.80	+9.8	5.35	128.47	111.35	105.40	113.77	111.04	151.20	118.04	136.76
Canada (114)	140.23	+7.8	120.53	115.01	123.09	114.59	+4.9	3.28	139.66	121.06	114.58	123.68	114.17	142.27	126.49	123.25
Denmark (37)	250.25	+7.6	215.08	205.25	219.68	222.26	+21.6	1.58	246.79	213.90	202.49	218.56	220.35	270.58	217.74	259.27
Finland (15)	85.45	-17.2	73.44	70.09	75.01	74.58	-4.9	3.26	85.35	73.98	70.03	75.59	74.60	125.15	83.69	100.16
France (109)	141.01	+7.0	121.20	115.65	123.78	127.35	+21.1	3.48	139.48	120.90	114.44	123.52	126.98	152.26	119.11	141.38
Germany (66)	105.09	-6.1	90.33	86.21	92.25	92.25	+6.1	2.45	104.13	90.25	85.45	92.22	92.22	125.35	94.15	117.80
Hong Kong (55)	165.52	+35.9	142.26	135.75	145.30	164.74	+35.1	4.43	165.57	143.51	135.85	146.64	164.90	169.98	119.62	121.23
Ireland (18)	158.56	+6.8	136.28	130.05	139.19	141.36	+20.1	3.54	158.86	137.62	130.18	140.52	142.40	182.48	132.88	159.10
Italy (77)	70.47	-10.0	60.56	57.79	61.86	66.42	+0.7	3.49	70.10	60.76	57.51	62.08	66.82	88.23	64.76	85.85
Japan (474)	143.72	+15.2	123.52	117.87	126.18	117.87	+10.2	0.72	141.75	122.86	116.30	125.55	116.30	146.97	118.23	139.29
Malaysia (68)	195.29	-7.9	167.85	160.17	171.43	206.57	-8.4	2.96	196.16	170.02	160.94	173.72	207.57	247.78	189.16	189.93
Mexico (18)	1312.60	+124.6	1128.14	1076.55	1152.26	4394.35	+132.9	1.20	1307.86	1133.60	1073.08	1158.30	4378.49	1312.60	534.45	519.89
Netherland (31)	140.96	+5.3	121.15	115.61	123.74	122.40	+18.7	4.40	140.12	121.45	114.97	124.10	122.73	145.73	125.70	135.27
New Zealand (14)	46.86	+8.0	40.28	38.44	41.14	43.93	+12.0	6.62	47.14	40.86	38.68	41.75	44.15	54.84	41.18	54.34
Norway (31)	190.05	-7.0	163.35	155.88	166.84	171.03	+4.9	1.65	185.87	161.11	152.51	164.62	168.15	223.24	176.58	240.13
Singapore (38)	191.43	+20.2	164.53	157.01	168.05	149.35	+17.0	2.31	191.48	165.97	157.11	169.58	149.39	208.25	151.63	157.46
South Africa (61)	247.47	+35.3	212.69	202.96	217.24	170.37	+25.1	2.85	248.18	215.11	203.62	219.79	170.05	258.85	173.00	160.25
Spain (53)	151.80	+8.2	130.46	124.50	133.26	122.53	+20.6	4.47	150.58	130.52	123.55	133.36	122.18	171.12	131.51	147.80
Sweden (25)	180.51	+13.2	155.14	148.05	158.46	164.81	+24.1	2.71	178.72	154.91	146.64	158.29	164.10	204.12	146.80	172.61
Switzerland (58)	95.42	+7.3	82.01	78.27	83.78	87.29	+24.2	2.21	93.70	81.21	76.88	83.00	86.47	100.67	82.17	95.13
United Kingdom (240)	179.61	+8.4	154.37	147.30	157.65	154.37	+21.3	4.80	177.38	153.75	145.53	157.08	153.75	187.44	158.27	163.80
USA (526)	159.44	+19.6	137.03	130.77	139.97	159.44	+19.6	3.03	159.24	138.02	130.66	141.04	159.24	161.02	125.95	125.76
Europe (827)	139.85	+4.0	120.20	114.70	122.78	122.08	+17.0	3.93	138.34	119.91	113.51	122.53	121.74	151.52	125.50	138.50
Nordic (106)	179.78	+7.2	154.51	147.45	157.82	155.72	+19.6	2.09	177.45	153.81	145.60	157.16	154.53	200.81	155.55	186.23
Pacific Basin (718)	143.93	+16.0	123.70	118.05	126.35	119.05	+11.3	1.05	142.14	123.20	116.63	125.89	117.62	145.92	117.86	137.86
Euro-Pacific (1545)	142.66	+10.8	122.61	117.00	125.23	121.11	+13.5	2.17	140.98	122.19	115.68	124.85	120.08	147.68	121.29	138.49
North America (640)	158.17	+18.9	135.94	129.74	138.87	158.40	+18.7	3.04	157.95	136.91	129.61	139.91	158.18	159.66	125.91	125.52
Europe Ex. UK (587)	116.43	+0.8	100.07	95.51	102.23	103.64	+13.9	3.25	115.31	99.95	94.63	102.15	103.44	129.80	103.58	122.53
Pacific Ex. Japan (244)	145.90	+26.0	125.40	119.68	128.09	128.47	+24.0	4.29	145.97	126.52	119.78	129.29	128.53	147.60	111.40	120.32
World Ex. US (1736)	144.39	+11.5	124.10	118.43	126.76	122.41	+13.9	2.22	142.77	123.75	117.15	126.45	121.41	148.16	122.32	138.41
World Ex. UK (2022)	145.40	+15.1	124.97	119.26	127.65	131.96	+15.4	2.25	144.38	125.14	118.47	127.88	131.19	145.77	120.06	129.95
World Ex. So. Af. (2201)	147.74	+14.1	126.98	121.19	129.71	133.78	+15.9	2.51	146.60	127.07	120.30	129.85	133.02	148.88	122.92	132.79
World Ex. Japan (1788)	152.29	+13.9	130.89	124.91	133.71	142.84	+18.9	3.40	151.60	131.40	124.39	134.28	142.58	152.85	126.69	130.99
The World Index (2262)	148.39	+14.3	127.54	121.71	130.27	134.09	+16.0	2.61	147.26	127.64	120.83	130.43	133.33	149.01	123.28	132.98

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
13,984.3	Abbott Laboratories	32¼xd	5.2	1.8	9.10	FeMyAuNv	1503
119.5	Allegheny & W 1c	230p	–5.7	7.7	–	–	–
919.6	Amdahl 5c	830pxd	1.7	0.7	31.1	NvMrJeAu	–
3,485.7	Amer. Cyanamid $5	37⅛	1.0	2.4	27.2	MrJeSeDe	–
5,815.4	Amer. Express 60c	12⅛xd	2.9	4.8	1.10	FeMyAuNv	1594
20,660.5	American T. & T. $1	22⅝xd	6.1	3.4	27.3	FeMyAuNv	1597
15,594.3	Ameritech $1	35	–1.8	5.7	28.3	FeMyAuNv	–
5,364.8	BankAmerica $1⅓	24⅞xd	7.3	2.9	16.8	FeMySeDe	1744
3,888.7	Bankers N Y. $1	37⅛xd	6.3	7.6	27.9	ApJyOcJa	1745
18,225.9	Bell Atlantic $1	26xd	1.0	5.7	4.7	FeMyAuNv	–
13,278.1	BellSouth Corp.	27⅛	–2.2	6.0	5.4	FeMyAuNv	–
666.4	Bethlehem Steel $8	8⅛xd		2.7	6.2	MrJeSeDe	1821
480.5	Bowater Inc.	1340p	5.2	5.3	6.6	OcJaApJy	1884
3,644.4	CPC Intnl 25c	48⅜xd	–2.9	2.4	25.9	JaApJyOc	2263
158.4	California Engy	878p	0.5	–	–	–	–
5,647.5	Campbell Soup 15c	45xd	3.7	1.5	4.1	OcJaApJy	2050
1,430.4	Chase Manhattan $12½	10⅞xd	–0.6	6.8	29.7	FeMyAuNv	2109
1,933.3	Chrysler $6¼	6⅝xd	1.9	5.4	11.9	ApJyOcDe	2135
2,383.1	Citicorp $1	6½xd	–9.0	–	23.10	–	2141
3,386.7	Colgate-Palmolive $1	24⅞xd	–1.0	2.5	22.7	FeMyAuNv	2184
639.7	Cont'l Bank Corp $4	633p	2.3	5.6	31.5	DeMrJeSe	–
698.7	Dana Corp. $1	17xd	6.7	5.6	27.8	MrJeSeDe	2306
323.4	Data General	1172p	1.8	–	–	–	–
928.3	Dial Crop. $1.5	23½xd	12.2	3.5	28.5	JaApJyOc	2778
5,154.9	Dun & Bradstreet $1	28⅞	6.9	4.4	13.2	MrJeSeDe	–
1,218.6	Eaton Corpn. 50c	35⅝	3.3	–	2.2	–	2410
406.8	Echlin Inc.	7⅛xd	9.4	5.7	1.7	JaApJyOc	3046
3,372.8	FPL Group 1c	19⅜xd	1.6	7.2	27.8	MrJeSeDe	–
2,124.9	Fluor Corp 62½pc	26⅛xd	8.1	0.7	19.9	JaApJyOc	2609

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE – Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS – Contd

Net Asset Values are for Thursday October 17th. Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC – Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES – Contd

Australians

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	638	.....	Helton Hldgs. γ	37 .....
Finlay Pkg. 5p	β	28	3.7		
Holt (Jos) 25p	β	1985	.....		

IRISH

Cap. 8½% Ln. 2010	£95¼	0.8	IRG	125 .....
9pc Cap Ln. 1996	£98¾	0.1	United Drug	165 .....
Fin. 13% 97/02	£114	0.2		
Arnotts	190	.....		

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	58
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp.	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property	
Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils	
Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines	
Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:
All Nippon Airways (Section: Transport)
Alpine Warrants (Food)
Dean & Bowes (Industrials)
Lowndes Lambert (Insurance)

Deletions:
Centreway Trust (Finance, Land)
Forwell (Industrials)
Handley Walker (Finance, Land)
Renaissance Holdings Ord. and Warrants (Finance, Land)
Sheraton Securities (Property)
Warrior Industries (Finance, Land)

4:00 pm prices October 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp x	0.48	0.03	19	888	14½	14	14¼	+¼
18¾	14½	A L Labs A	0.16	0.01	20	638	18⅞	18	18⅜	+¼
55¾	40⅞	AMP Inc	1.44	0.03	19	1762	50⅝	50	50⅜	
68⅞	44¼	AMR			12	3506	64¼	63⅞	64	-½
2⅝	1	ARX			1	150	1⅝	1½	1½	
56	41½	ASA	3.60	0.07	14	1406	50½	49¼	50½	+1¼
58¾	39¾	Abbott Lab x	1.00	0.02	22	3700	u56⅞	55⅞	56⅞	-½
14⅝	9⅞	Abitibi Pr x	0.50	0.04	24	6	13¼	13¼	13⅜	
11⅝	10⅜	ACM Gvt In x	1.26	0.11		696	u11⅞	11⅝	11⅞	+⅛
9⅝	8¾	ACM GvOpp x	1.01	0.11		109	9⅝	9½	9½	-⅛
9½	8¼	ACM Gvt Sp	1.01	0.11		176	9⅜	9¼	9⅜	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		523	u11	10⅞	10⅞	-⅛
9	7⅞	ACM Man x	1.01	0.11		338	u9	8¾	8⅞	
12⅞	11½	ACM Mangd x	1.35	0.11		266	12⅞	12⅝	12⅝	
7½	4¾	Acme Clevs x	0.40	0.06	17	21	6⅝	6⅜	6⅝	
6	3⅞	Acme Elect				2z100	4⅜	4⅜	4¼	
40	22¾	Acuson			23	393	35⅞	34¾	35	-⅛
19¼	14¼	Adams Expr	0.73	0.04	0	211	u19¼	19⅛	19¼	
20⅛	17½	Adobe12Pf	2.40	0.12		12	19⅞	19⅝	19⅞	+⅛
9¼	6⅝	Adobe Res			48	189	7⅛	7⅛	7¼	
38⅞	18	Ad Micro				28	34⅞	34¾	34¾	
14¼	4⅞	Ad Micro P	3.00	0.27	84	2821	11⅛	11	11	-⅛
5⅛	2¾	Advest Grp	0.16	0.04	6	257	4⅜	4⅛	4¼	
49⅛	31⅞	Aetna Lf x	2.76	0.07	8	3903	38⅝	37¼	38¼	+1¼
10⅝	6⅝	ASII A	0.24	0.03	43	533	8	7⅞	7⅞	-⅛
20⅞	12	Ahmanson	0.88	0.05	10	3018	17⅛	16½	16⅝	-⅛
16½	2⅞	Aileen Inc			17	552	u16⅞	16⅞	16⅞	+⅝
74⅛	51⅝	Air Pr Chm	1.58	0.02	15	812	72⅞	71½	72	+½
30	16⅝	Airbne Frt	0.30	0.01	16	663	25¼	25⅛	25⅜	+⅛
19⅞	12½	Airgas Inc			104	72	18¾	18½	18¾	

[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51½	43¼	Xerox4 125 x				6	51¼	51¼	50¼	
23⅞	14⅛	Xtra 1.04				134	23½	23	23½	
27¾	14¼	Xtra Corp	0.72	0.03	90	220	27¼	26⅝	27⅛	-⅛
28½	21¾	Yankee Egy	1.60	0.08	12	50	28¼	25⅞	28⅛	-⅛
1½	⅝	Zapata			2	85	11/16	⅝	⅝	
8⅞	6¾	ZenithElec			1	309	5⅞	d5⅛	5⅞	
18½	12	Zenith Nat v	1.00	0.06	94	4	16¼	16¼	16⅛	
6⅞	4½	Zenix Inc x	0.84	0.13		254	u6⅛	6⅛	6¼	-⅛
15⅛	10⅞	Zero Corp	0.40	0.03	15	33	12⅞	12¼	12¾	
41⅛	29½	Zurn Ind	0.88	0.02	14	158	36¼	36	36⅛	-½
13½	10⅛	Zweig Fund x	1.16	0.09		429	13⅛	13	13⅛	+¼
10⅞	8½	Zweig Tot r x	0.96	0.09		632	u10⅞	10¼	10⅞	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices October 18

NASDAQ NATIONAL MARKET

4:00 pm prices October 18

MONDAY PROFILE

Sultan of Soviet change

Leyla Boulton on Nursultan Nazarbayev, president of Kazakhstan

It is no accident that when Mrs Margaret Thatcher's aircraft needed refuelling on a recent flight to Tokyo, the former UK prime minister chose to do it in the Soviet republic of Kazakhstan. Or that when Mr James Baker, the US secretary of state, last week wanted to congratulate a Soviet politician for trying to hold the union together, he called Kazakhstan. As for Mr Hans-Dietrich Genscher, the German foreign minister, he was there only the other day.

The object of their interest was the same: the republic's president, Mr Nursultan Nazarbayev, who begins an official visit to Britain next Monday. After that, he will fly to Brussels to meet Mr Jacques Delors, president of the European Commission.

President Nazarbayev – whose first name means 'lucky sultan' – is one of the most sought-after leaders in the Soviet Union. First, he is the only republican politician who wholeheartedly favours preserving a political and economic union. Second, he is one of the first leaders to embrace and introduce market reform. Third, he runs a republic rich in natural resources, including oil, gas and precious metals, and one which contains a vast nuclear arsenal.

Mr Nazarbayev, a former metallurgy worker, still clearly relishes his rise to fame over the past year as one of the three most important men in the Soviet Union – after Presidents Boris Yeltsin and Mikhail Gorbachev.

But it is almost as if he cannot quite believe it. Speaking softly, in barely audible Russian, President Nazarbayev recently started a news conference arranged to publicise his visit to Britain by thanking journalists for their interest in him. The Kazakh president, displaying both shyness and vanity, said he hoped his five-day visit, at the invitation of Mr John Major, the prime minister, would promote a new era of co-operation between Kazakhstan and Britain, and lots of business, with a particular emphasis on exploiting the republic's natural resources.

As if to underline his attachment to the survival of a Soviet state, President Nazarbayev said he would also deliver a "special" message to Britain from Mr Gorbachev.

Mr Nazarbayev, as leader of the Soviet Union's second-largest republic, has indeed come a long way in his climb up the Communist party ladder to republican party chief and finally the presidency of Kazakhstan. Sporting a large gold watch and foreign black leather shoes, he looks every bit the new-generation Soviet leader, a man with whom the west can "do business". Although he shares a similar Communist party background to that of Messrs Yeltsin and Gorbachev – men a decade older than he – Mr Nazarbayev has been quicker in dropping their common ideological baggage.

"His success reflects the paradoxes of our times," says Mr Vladimir Ardayev, the Alma Ata correspondent for Izvestiya newspaper. "His big advantage is his ability to change; he is not a static politician."

Undoubtedly, Mr Nazarbayev has benefited from the patronage of corrupt old Communist leaders during his successful party career. Yet he was one of the first communists to support Mr Gorbachev's sacking of the old guard in Kazakhstan in the early days of perestroika. More recently, he emerged as a consistent advocate of economic and constitutional reform who tried hard to mediate between Mr Gorbachev and Mr Yeltsin while their power struggle was paralysing the rest of the country.

Having played a leading role in the republics' campaign to wrest real power from the centre – a goal completed by the abortive August coup – Mr Nazarbayev is now busily trying to salvage a revamped confederation from the wreckage of the old Soviet Union.

His republic was one of the few not to have declared independence after the coup. It has good reason to shy away from the nationalism which has inspired independence declarations by other republics.

Kazakhs form a minority in their own republic, with Russians and other non-Kazakh groups making up 60 per cent of the population. Playing the nationalist card could spell war in the republic, while Mr Nazarbayev says that the nominally Moslem identity of Kazakhs makes them a prey for Islamic fundamentalist propaganda.

"Islamic fundamentalists are trying hard to infiltrate the central Asian republics in particular," he said. "They have not succeeded in Kazakhstan although I and other Kazakhs consider ourselves Moslems."

Taking no chances, he keeps a nascent nationalist/Moslem opposition, which wants a Kazakhstan for Kazakhs, on a tight leash. He is also wary of latent imperial reflexes in neighbouring Russia.

He was infuriated by Russia's statement after the abortive coup that it reserved the right to revise borders with neighbouring republics, and disappointed by its attempt – subsequently foiled – to take over all-union institutions such as the country's main bank for foreign trade. Despite public displays of friendship with Mr Yeltsin, one reason he wants to keep nuclear weapons on Kazakh territory is so that Russia cannot pressure its neighbours.

Although he will stand for re-election in Kazakhstan's first direct presidential elections on December 1 (he was elected by parliament last time), Mr Nazarbayev does not believe the time is ripe for pluralist democracy in the former Soviet Union.

'All our difficulties come from poverty'

PERSONAL FILE

- **1940** Born in Chemolgan, Kazakhstan.
- **1960** Begins work at Karaganda metallurgical combine; qualifies as engineer.
- **1969** Embarks on career as Communist party official.
- **1984** Appointed prime minister of Kazakhstan.
- **1989** Elected first secretary of Kazakhstan's Communist party.
- **1990** Economics degree from Moscow university.
- **1990** Elected president of Kazakhstan by parliament.

In seeking to develop his mineral-rich republic, Mr Nazarbayev openly declares an admiration for the authoritarian models of economic development in countries such as South Korea. "All our difficulties come from poverty. The main problem for all of us, including Russia, is a parasitic mentality. People must learn to take care of themselves."

Already the president has pushed through legislation on foreign investment, privatisation, and other laws setting the foundations of a market economy. Although he has stopped short of privatising land, he has already made an modest start in selling off housing and small businesses.

Kazakhstan has everything to gain from switching to market economics. With a vast but sparsely populated territory groaning with mineral wealth – it produces 90 per cent of Soviet chrome, 50 per cent of total silver output and is the third-largest gold producer in the country – it is relatively unencumbered by inefficient Soviet factories which will be among the first casualties of economic reform.

Mr Nazarbayev is an admirer of foreign expertise: he is trying to arrange as much training abroad for his officials and industrial managers as possible. A South Korean economist, Professor Chan Young Bang, spends much of the year in Alma Ata. The Korean connection was first established because of a large Korean population living in Kazakhstan and Mr Nazarbayev's own policy of looking east as well as west. The Kazakh president has also used his globe-trotting to countries such as Singapore and Turkey to attract investment, in particular for the development of Kazakhstan's natural resources.

During his visit to Britain, he plans meetings with British Petroleum and British Gas, both competing for a tender to exploit Karachaganak, the largest undeveloped gas condensate field in the world. Mr Nazarbayev will also be seeing UK banks and industrialists.

Back home, his officials are putting the finishing touches to an agreement with Chevron, the US oil company, to exploit the republic's vast Tengiz oil fields.

Until this year important business decisions had to go through Moscow; today Mr Nazarbayev has the final say. Indeed, in Kazakhstan his authority is absolute. No important decision is taken without reference to his office. His officials refer to him in hushed tones as a great politician and economist.

One executive at a foreign oil company said it was proving easier to do business in Kazakhstan than in Russia. This was partly because "there are fewer people to talk to than in Moscow", but also because Kazakhstan is at a more advanced stage than other republics in drafting petroleum legislation which exists everywhere else in the world.

While there are still chances that the economic union treaty which he helped put together and which was signed on Friday may yet collapse – forcing even loyal republics such as Kazakhstan to go their own way – Mr Nazarbayev takes the long-term view.

"I am not a prophet, but I believe that we will create a normal state within some years."

Mr Bush's economic figleaf

MICHAEL PROWSE on America

The American psyche is active and impatient. It is thus no surprise that President George Bush and Republican congressional leaders are working up a package of fiscal incentives, including cuts in capital gains taxes. Democrats, also keen to revive the flagging economy, are talking about tax cuts for working families. In the run-up to a presidential election next year, neither party wants to leave economic management to the Federal Reserve.

In political terms, a "growth package" makes good sense. Historically, voters have always been sensitive to economic conditions. The election victories of Franklin Roosevelt in 1932, John Kennedy in 1960 and Ronald Reagan in 1980 were all partly fuelled by prior recessions. On each occasion, the opposition party wrested control of the White House for a prolonged period.

Mr Bush does not face opposition of this calibre. But, after three lean years, he is naturally concerned that voters may cease to associate Republican policies with economic prosperity. Having just vetoed a Democrat bill to extend unemployment benefits, he is also anxious not to appear indifferent to the human costs of recession.

The growth package is less a coherent strategy than a rag-bag of fiscal wheezes popular among conservatives. In addition to capital gains tax cuts, the wish list includes incentives for individual retirement saving, tax credits for research and development, subsidies for investment in depressed regions, and tax breaks for first-time home owners.

Democrats have previously blocked capital gains tax cuts on the grounds that most of the benefits go to the rich. But Republicans hope the economy's sluggishness has shifted the terms of the debate: if people believe capital gains tax cuts will create jobs and growth, they may stop worrying about fairness.

Marketed adroitly, the package could have political value. But in economic terms it is a fig leaf. After a decade of excessive public borrowing, Mr Bush faces an inescapable fiscal dilemma. If he sticks to last year's budget accord, the measures must be "revenue neutral". This means any tax cuts must be offset by tax increases or spending cuts. In the short run, such a reshuffling of revenue will not increase overall purchasing power and is likely to have only a marginal impact on economic growth.

If, on the other hand, Mr Bush abandons the budget agreement, a net fiscal stimulus is feasible – but almost certainly foolhardy. It would result in an even larger budget deficit than the $350bn foreshadowed for next year, while undermining fiscal discipline in future years. Such blatant electioneering would risk a collapse of confidence in financial markets. Bond yields would probably rise sharply, discouraging corporate investment and aborting the fragile housing recovery.

Like it or not, Mr Bush's room for manoeuvre is strictly curtailed. He can press for tax reforms that would enhance longer-term growth prospects: reductions in capital gains levies may fall into this category. But thanks to Mr Reagan's fiscal irresponsibility – which tripled the US national debt – he cannot offer a credible short-run stimulus. He cannot offer tax cuts big enough to make a real difference.

Does this matter? On the face of it, last week's economic data were alarming, pointing to stagflation rather than economic recovery. Hopes of an early cut in interest rates were dashed by a 0.4 per cent jump in last month's consumer price index, double the increase expected in financial markets.

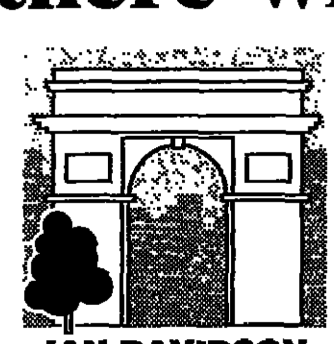
Production and trade figures, meanwhile, added credence to claims that the infant recovery is running out of steam. Industrial output was flat in August and September after sharp increases earlier in the summer. Exports, previously a pillar of strength, fell, prompting a sharp increase in the trade deficit. Housing starts declined.

The economic outlook is not bright, but it may soon begin to look less grim than these figures imply. Public confidence is likely to be lifted later this month when the Commerce Department releases its "flash" estimate of third-quarter gross national product. Most economists are expecting growth at an annual rate of 2 per cent to 3 per cent. GNP is expected to rise mainly because companies have stopped liquidating stocks, thus removing a serious drag on output. Measures of consumption and output were also relatively strong at the start of the period.

An increase in third-quarter GNP will not necessarily indicate sustainable growth. But after three successive quarterly falls in GNP, it should greatly ease the White House's public relations battle. Statistical changes will also help. In November, the Commerce Department will reflect changes in the composition of output by adopting 1987 as its base year for GNP price indices rather than 1982. Measured in 1982 prices, GNP fell at an annual rate of 0.5 per cent in the second quarter. But 1987 prices will show an increase of 0.4 per cent. The new data should thus indicate that the economy has been growing for two quarters.

Growth may now be decelerating, but few economists yet expect renewed contraction in the final months of the year. Rather than reopening an acrimonious debate about capital gains taxes, the White House's wisest course may be simply to wait for its long-standing forecast of sluggish growth to be vindicated. In the short run, the Republican party has no more control over the US economy than King Canute had over the tides.

Why there will be a treaty



IAN DAVIDSON on Europe

Last week President Mitterrand and Chancellor Kohl put forward the latest instalment in their long-running series of submissions to the European Community negotiations on political union. This one called for the development of a common foreign and security policy, with the eventual aim of a common defence policy; and they added, in a postscript, that they would be expanding their 4,000-man Franco-German brigade, to be the kernel of a body which other European countries might wish to join.

Unfortunately, early impressions of this initiative were sensational and misleading. A news agency dispatch latched on to the postscript, and then misconstrued the French word "corps" (body) to mean an army corps (which in French would be "corps d'armée"): thus, all of a sudden, France and Germany were depicted as creating a European army of 100,000 men. This news rather drowned out the real thrust of the Franco-German document, which was four pages of essentially prosaic draft treaty text; naturally, French and German officials were dismayed by the resulting travesty.

In the ensuing melodrama, all the usual characters lived up to their usual typecasting. The Spanish were keen as mustard for the Franco-German paper. The British solemnly denounced the new European army as an undesirable duplication of Nato. The flexible Italians were soothing, and claimed that all 12 were in fact close to agreement.

Sometimes the Italians get closest to the truth, and this was one of those times. A European army may be formed one day, or it may not; what is quite certain is that it is not part of the treaty negotiations which the 12 should finalise in December.

At the same time, we also have another certainty: a political union treaty will be signed in December, and it will include commitments on the development of a common foreign and security policy, as well as a long-term objective of a common defence policy.

It may seem rash to describe this as a certainty, since the British government parades up and down declaring its hostility to any move which could infringe on Nato. But the British voter has not been told that the British government has, in secret, long abandoned its primal anti-European position.

At a Community summit in June it signed a communiqué specifically stating that European political union would require a common foreign and security policy, and endorsing the nine-nation Western European Union defence grouping as the defence arm of this European union.

More recently, a joint Anglo-Italian declaration made the same point more succinctly: "Political union implies the gradual elaboration and implementation of a common foreign and security policy and a stronger European defence identity with the longer-term perspective of a common defence policy..."

If there is agreement on these very basic propositions, there are only three things left to argue about: words, procedures, and timing.

The words are all in the mind. The French want words which will place Europe's defence firmly under the control of the 12; the British want words which will make it subordinate to Nato. This is a classic Euro-struggle, based on the age-old delusion that the strong can pre-determine the future. We must hope that governments will grow up; perhaps this year.

This infantile fantasy also implies that the Community, the WEU, and Nato, are each discrete bodies which can be moved about independently of each other. Nothing could be further from the truth.

Most of the members of the Community are also members both of WEU and of Nato. Even without a formal treaty commitment, the Community is already deeply involved in joint foreign policy formation. So deeply, that it has become almost inconceivable to imagine any really important foreign policy issue that would not automatically be discussed in advance by the 12.

Naturally, the Community will not get involved in Hong Kong or in Chad. But can one seriously imagine a separate French or British policy towards Yugoslavia or the Soviet Union?

So if Community policy requires a defence dimension, it must be carried out by WEU. When the 12 debated peace-keeping in Yugoslavia, they got WEU to think about the military aspects. Not even the British said: "We must ask the Americans first."

Next, procedures. The Franco-German letter makes a calculated gesture to UK neuroses, proposing that the nine ambassadors to the WEU should be the nine ambassadors to Nato. (Earlier, France had argued that WEU should be manned by the ambassadors to the Community.) But this formal concession does not hide the fact that WEU will get its orders from Europe, not from the US.

Last, timing. Perhaps the Franco-British conflict would dissolve if the time horizon were very long. But the Franco-German postscript on the enlarged brigade implies serious French impatience. This could be a real problem, though not one which must be settled before Maastricht.

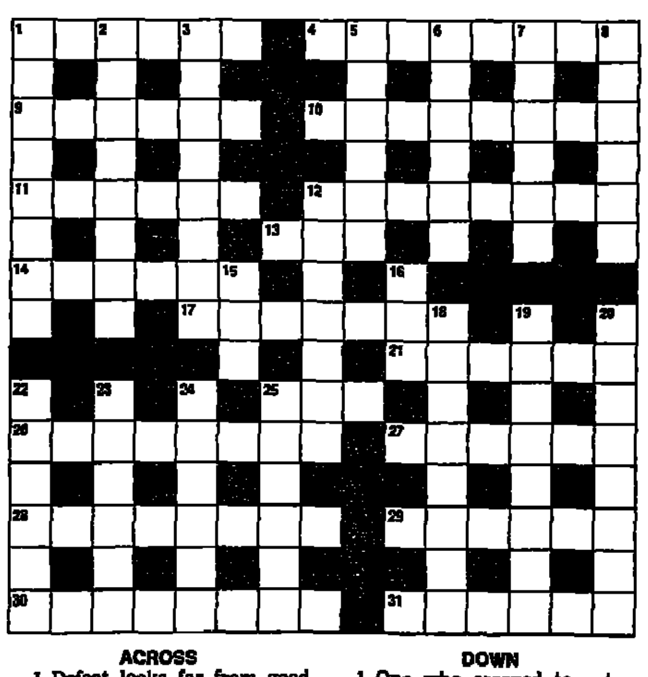
The problem which must be settled before Maastricht is the rhetoric of the British government. At the Conservative party conference, Mr Douglas Hurd, the foreign secretary, told the unvarnished truth about Britain in Europe. But British voters may still believe that the Community is really just an inter-governmental institution, where Britain can opt out of monetary union if it likes, or veto a European defence policy.

Those days are over. Many years may pass before we see an integrated European army of 100,000; but the era of national independence, even for relatively large countries like Britain and France, has gone for ever. There will be a treaty at Maastricht; and British voters should be told.

JOTTER PAD

CROSSWORD

No.7,677 Set by DANTE



ACROSS

1 Defeat looks far from good in the record (6)
4 Phoney admission of poverty takes in a good man (8)
9 The kind of power often sought by detectives (6)
10 Inspired by Diana, met when out (8)
11 The never ending round (6)
12 They may offer protection when a girl's in distress (8)
13 A mountainous depression (3)
14 Harass the bosses in difficulty (6)
17 Took uncertain steps (7)
21 This is something between Greece and Turkey (6)
25 Cut out of the will (3)
26 One means to cultivate flowers (8)
27 Result of running repair (6)
28 What boy scouts may sing about (4,4)
29 Calms down a wild beast (6)
30 Captivated by the Venus de Milo? (8)
31 Mature people, possibly saluted out east (6)

DOWN

1 One who essayed to cut a piece of meat (4,4)
2 Artist is to become a writer (8)
3 He writes television play that is put out (8)
5 Handy reference book (6)
6 Rum loo embellished with gilt decoration (6)
7 Carrying a small rum and gin cocktail (6)
8 Is unusually hard on the outside, but edible (6)
12 The din subsides once they are ejected (7)
15 She may have some litter to scatter (3)
16 Eaten, unless it's after sweet (3)
18 Passing place (5-3)
19 What the driver needs above all is to be sober (8)
20 Shows great keenness, then becomes upset over customs (8)
22 Turned and fled with detectives in pursuit (6)
23 Greek god, part herald part messenger (6)
24 Sounds like someone ailing in the chest (6)
25 He holds listeners in a kind of transport (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 2.

FINANCIAL TIMES SURVEY

CABLE & SATELLITE BROADCASTING

SECTION III

Monday October 21 1991

An ever increasing array of television channels is on offer to viewers via satellites and urban cable networks. The trend coincides with intense competition to supply audiences with television pictures of unprecedented clarity, writes Raymond Snoddy

A palace of varieties

CABLE and satellite television *is providing an amazing* diversity of programmes and services around the world while at the same time starting to build significant communication businesses.

In the US, Time Warner, the world's largest media company, is planning to start building the first 150-channel cable television service in New York's Bronx bringing new levels of programme choice to American cable subscribers.

In the Far East, HutchVision, a joint venture between the Asian commercial conglomerate Hutchison Whampoa and a company controlled by Hong Kong businessman Li Ka-shing and his family, has already launched a new satellite service broadcasting to 38 Asian countries. The project, STAR TV, has already launched sport and music channels through co-operative ventures with the US sports network Prime Network International and MTV, the pop music channel owned by Viacom of the US.

The service will also feature a 24-hours a day news service from BBC World Television News plus a Chinese channel and a channel devoted to family entertainment.

In the UK, the merger last November of Mr Rupert Murdoch's Sky Television and British Satellite Broadcasting to create BSkyB has consolidated the position of satellite television. Losses have been reduced from a joint £11m a week at the time of the merger to around £1.5m now at the operational level.

Meanwhile the number of UK homes with satellite dishes has continued to increase at a rate of more than 60,000 a month and the total number of homes with their own dishes might just manage to top 2m by the end of the year.

The driving force of BSkyB has been its two subscription film channels offering straight entertainment.

But the new media of communications encompass enormous variety from the very general to the particular and precise. Super Channel, for instance the pan-European channel, broadcasts entertainment and news to more than 43m households across Europe.

Other specialist channels are targetted at ethnic minorities across Europe, whether Japanese or Asian.

Videotron, the Quebec-based cable television company with franchises covering large areas of south and West London, has even started offering its Arabic speaking customers Egyptian television brought in by satellite. The company is also exploring the possibility of picking up off-air on the Welsh coast the channels of RTE, the Irish national broadcaster, and relaying them to cable networks in cities such as Birmingham and London where there are sizeable Irish communities.

Satellites are being used for even more more pin-point accuracy. British Aerospace, which has a special satellite licence from the British Department of Trade and Industry, has started linked 38 postgraduate medical centres throughout the UK. The service allows interactive teleconferencing between students and leading experts in particular fields of study. The first of the fortnightly sessions broadcast from the Royal Society of Medicine in London looked at the benefits of hormone replacement treatment in preventing osteoporosis (brittle bones) in women.

Cable and satellite are already important businesses in Europe but, according to a study by CIT Research, the communications research group, losses are still bigger than profits.

Satellite television, according to CIT, had total revenues of Ecu 1.28bn last year but with the exception of the RTL Plus and Sat1 channels – both of which are broadcast conventionally as well as by satellite – most programmers lost money.

Sales of dish receivers rose by 97 per cent to Ecu 1.13bn with sales in Germany equalling those in the UK.

CIT found that cable television had become an Ecu 2.9bn a year business and was beginning to follow in the footsteps of the US as large multiple systems operators began to emerge.

In the UK, cable is showing considerable signs of life after achieving little growth over the past five years.

Nearly two thirds of Britain is now covered by 135 franchises and a considerable consolidation is taking place with major North American players consolidating their position and buying up the franchises of those who do not have the money to build the networks or buying out minority partners.

The main thrust of development is coming from four Baby Bell US telephone companies – Pacific Teleis, Nynex, US West and Southwestern Bell – and a group of cable operators such as Videotron and United Artists Cable.

Apart from having both the resources and the ability to take the long term view, most of the major players have launched, or are planning, telephone services in addition to the more conventional television channels.

An improvement in the range and diversity of cable channels has also been an important factor in improving, however modestly, cable television penetration rates – the ratio between those who have cable television available in their areas and those who actually subscribe. The choice of channels is never likely to be as great as in the US where the market to sustain choice is so much greater.

The progress has been painfully slow. By the beginning of July cables had been laid adjacent to more than 1m homes of which 191,610 had become subscribers. Over the previous year the penetration level had only increased from 16 per cent to just over 18 per cent.

Several developments are under way which which should strengthen that choice. There are plans, for instance, to link all the 24 franchises of London so that programmes can be exchanged. Such a link would enable the main franchise holding companies of London to co-operate on providing a strong local channel for the metropolis.

Such links should also help increase the market for advertising on cable. At present, satellite channels can only carry national advertising. Such a channel could in future be recorded off the satellite and then distributed around the London link after local advertising had been inserted.

New channels being planned include one for the black community in the UK, a public affairs channel to relay live the debates in Parliament and a Learning Channel, a videotape delivered educational channel due to start at the beginning of this month. The launch has been postponed, however, because of disagreements between the channel's backers, Coventry Cable, Yorkshire Television and Encyclopaedia Britannica.

Technology does seem to be taking the new media in the direction of more and more choice if the business structures can be created to pay for them.

Digital compression technology should make it possible in a few years to squeeze four channels in the bandwidth now occupied by one. Mr Rupert Murdoch was exploring how his Sky Cable project might be able to broadcast more than 100 channels from a single satellite system. The recession and News Corporation's debt mountain pushed this project on to the back burner.

But fibre optic cables could yet bring the limitless channel capacity the early cable visionaries hoped for. Fibre optic cables using glass threads as thin as a human hair to carry channels of television are already economic for providing the main trunk routes of the network but not yet cheap enough for the last link into individual homes.

Some specialists believe this final stage is only a few years off and that a potentially limitless number of television channels, telecommunications and interactive services such as individual movies on demand would become widely available.

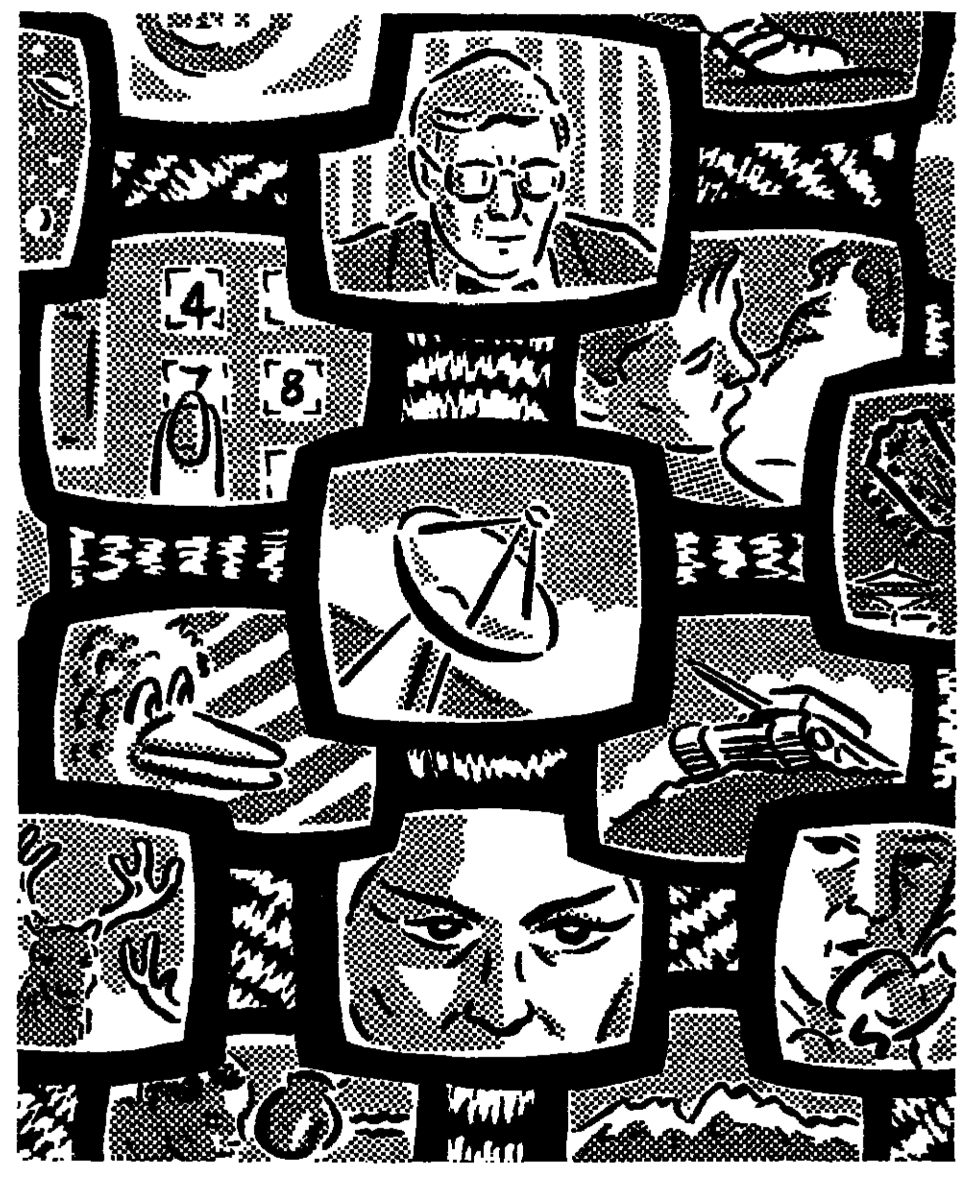
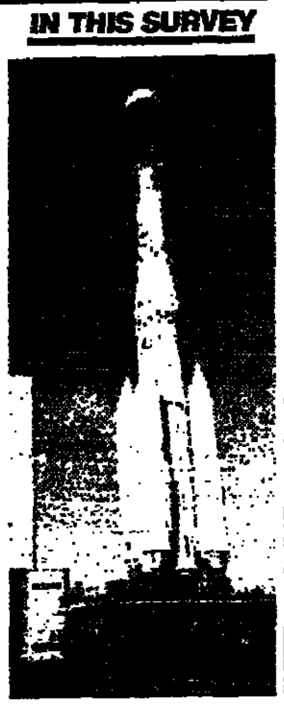


Illustration by John Batten

IN THIS SURVEY



A European Ariane vehicle being launched in French Guiana last year

Illustration by John Batten

CABLE AND SATELLITE BROADCASTING 2

Cable and satellite channels strive for Japanese supremacy, writes **Neil W. Davis**

A battle between heaven and earth

TELEVISION addicts throughout Japan are getting access to more channels. All major cities now have cable TV services, and the Ministry of Posts and Telecommunications recently said that five satellite broadcasting channels will be added by 1997, up from three today.

By 1997, high-definition television (HDTV) broadcasting is likely to be popular throughout the archipelago. If all goes well with the BS-4 series of broadcasting satellites most Japanese households will eventually receive HDTV signals from orbiting relay stations.

Competing against the satellite broadcasting industry are Japan's cable television companies. Due to strict regulations they specialise in specific areas or parts of major cities.

For example, Tokyu Cable Television Co., an affiliate of the Tokyu Corp. group, offers services in the area served by commuter railway lines of the parent company – southern Tokyo, Kawasaki, and parts of Yokohama.

Cable television charges in Japan are not inexpensive. Tokyu Cable charges 95,500 yen for a basic contract and installation fees needed for service hook-up, and the monthly charge for a single TV is about 4,000 yen. A total of 32 channels are available through Tokyu Cable, including sports channels, CNN, and a children's channel.

Other major cable broadcasters include Tokyo Cable Network, All Kansai Cable Television in Osaka, and Fukuoka Cable Vision, which serves the largest city on the southwestern island of Kyushu. Cables are typically strung along with local telephone lines.

Companies diversifying into the satellite broadcasting arena include those in electronics and general trading fields. For example, Hitachi and Nissho Iwai in late September set up a company called Japan Spacelink for production and relaying of video programmes and other satellite-related services. The company will initially use circuits supplied by Japan Communications Satellite which is owned by C. Itoh & Co., Mitsui & Co., and Hughes Communications.

All of Japan's "Big Six" trading companies and the leading dozen electronics concerns own shares of Japan Satellite Broadcasting (JSB), which operates WOWOW, the nation's first private satellite broadcasting channel.

"WOWOW, carries no commercial advertisements, and

Eventually, most Japanese homes will receive high definition signals from orbiting relay stations

specialises in movies," explains Tamamatsu Kuwata, a member of the board at JSB. Subscribers to WOWOW, at about 500,000, exceed 10 times the number of the most popular cable channel, called Star Channel.

Nissho Iwai is collaborating with two other trading companies, Sumitomo and Marubeni as well as Sony and two leasing companies as owners of Satellite Japan. Reiichi Yoshimoto, president of Satellite Japan, said it is buying two communications satellites in part to meet the surging "demand from both programme suppliers to cable television operators and the broadcast networks for satellite news gathering". Its two 24-transponder satellites are slated for launch in mid and late 1994.

Influential backers of satellite broadcasting are Japan Broadcasting (NHK), which is affiliated with the government, and the immense number of electronics companies selling small dish antenna sets used for receiving such signals. Over a dozen companies produce and sell such dish antennas, and major advertising campaigns tout the advantages of buying the sets, whose prices have fallen dramatically. More than 3.5m TV-reception dishes are now installed, according to JSB's Kuwata. Electronics companies expect many years of sales growth.

However, Japan's satellite broadcasting industry has got off to a precarious start. The BS-3a satellite, orbited in August 1990, suffered a solar paddle malfunction, which partially crippled its power supply. Two similar would-be backup satellites – BS-3x and BS-3h – were lost last year and earlier this year aboard ill-fated Ariane and Atlas-Centaur launch vehicles.

About 12 cable TV companies were hurt by the loss late last year of the Superbird A communications satellite, owned by Space Communications, a Mitsubishi group company. Because the spacecraft had no backup (Superbird B never reached orbit), cable TV and programme suppliers had to switch to rival satellite operator, Japan Communications Satellite.

Launched on August 25, 1991 by the National Space Development Agency of Japan (NASDA), BS-3b carries the hopes of the nation's satellite broadcasting industry. Two of BS-3b's three regular channels are reserved for NHK while Japan Satellite Broadcasting gets to use the other. The satellite, which also has back-up transponders, is operated by Telecommunications Satellite

NHK plans to install about 1,000 large HDTV screens in public places across the country

of Japan, which is controlled by the government. Because of the requirement that the BS-3 series be orbited by NASDA's H-I launch vehicle, the satellites are small, at just 550 kilograms.

Kuwata at JSB says that starting in late November, BS-3b will broadcast eight hours of Hi-Vision format HDTV programming, on a test basis, compared with the present intermittent one hour test broadcasting using the older satellites.

Japanese citizens can buy HDTV sets to receive such programmes. However, at starting prices exceeding 3.5m yen most HDTVs now in use are owned by museums, hotels, and companies. By the middle of next year, such HDTVs, with screens no smaller than about 36-40 inches, will be available at around 2m yen, due to progress in decoding equipment, according to officials at Fujitsu. Nevertheless, an HDTV package price of around 600,000 yen is needed to catch on with the masses. Some industry analysts say that can be achieved within three years. Others are less sure.

To help popularise the concept of HDTV satellite broadcasting NHK plans to install about 1,000 large sets in public places throughout the country to feature the Barcelona Olympic games next summer.

If Japan's heavyweight consumer electronics companies can achieve at home a "first wave" of commercial HDTV set production and sales in the period of 1994-96, they will be well positioned in global markets. They will possess the capacity to mass produce sets in any format, not just the technically inferior Hi-Vision format favoured by NHK.

An American aerospace company will probably build Japan's next series of BS-type satellites, the much-larger BS-4 units. Many US microchip companies are already working together with the Japanese on intricate HDTV decoding equipment for home-use tuners. The BS-4 satellites will feature at least eight regular-use channels, and Japan's second-generation of privately owned communications satellites, to appear in the late 1990s, may carry powerful direct-broadcasting transponders.

A study released this month by Motorola's semiconductor sector in Arizona states that "Japan will be the largest market in the world for HDTV for the next 10 years or more". The study points out many reasons for this projection, including large disposable incomes, high literacy, and because the whole nation can be covered by one broadcasting satellite.

Michael Skapinker on the fight for the next generation

The world looks to Japan

IN THE sweltering heat of late August, thousands of Germans, from east and west, crowded into a Berlin exhibition centre to see the latest offerings of the world consumer electronics industry.

There were presentations of systems for storing family photographs on compact discs and of digital recording tapes. Companies such as Philips of the Netherlands and Sony of Japan are battling to provide the standard for the next generation of audio tape. Kodak of the US and Philips have joined forces to defeat the Japanese in digitally recorded photographs.

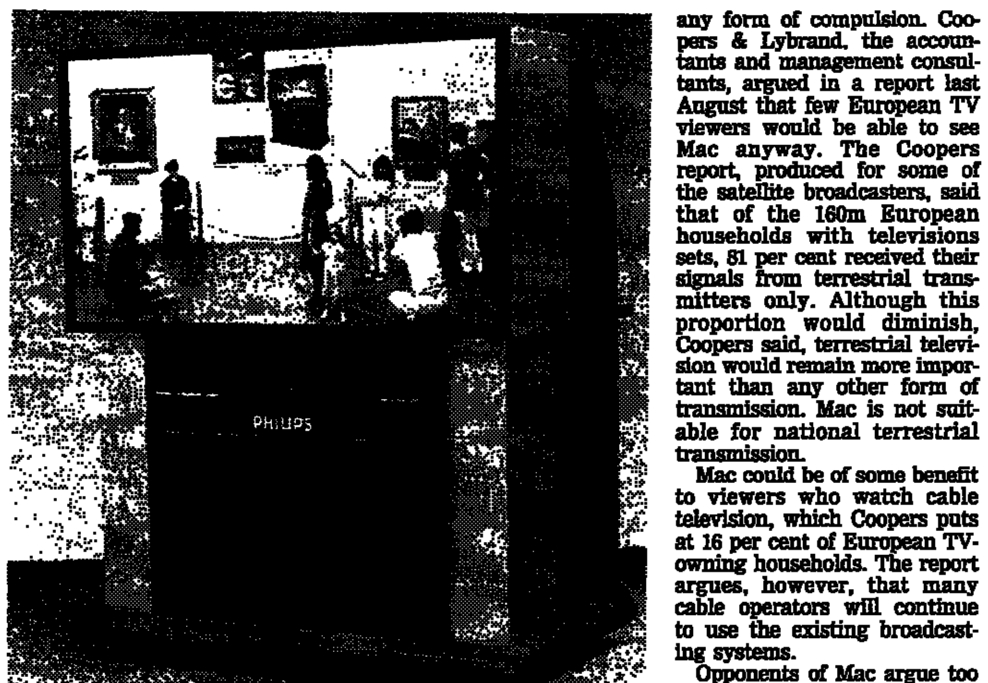
But pride of place went to the television sets, with banks of screens showing clearer and wider pictures. All the large players agree that it is television that will decide the outcome of the international consumer electronics contest.

One way or another, the next decade will bring us clearer and sharper television pictures. The system on which those pictures should be based is, however, the subject of intense lobbying and intrigue involving companies, regulatory authorities and governments.

The Japanese consumer electronics industry has historically come late to new technologies, but has then adapted and manufactured them brilliantly. The story has been different in the case of clearer television pictures in that the Japanese have been working on it longer than anyone else.

The Japanese began developing a high definition television (HDTV) system 20 years ago. By more or less doubling the number of horizontal lines on screen they hoped to produce clearer pictures than any seen before. By 1989, NHK, the Japanese broadcasting organisation, was ready to start transmitting an hour of HDTV a day to sets in public places and department stories around Japan.

The US television-making industry was, in the meantime, succumbing to the ravages of Far Eastern competition and the acquisition of some of its best-known brands by European companies such as Thomson of France. European companies such as Philips and



Philips HDTV: refining the visual quality

Thomson gained a respectable share of the world television market but failed to match the Japanese in developing HDTV.

In the mid-1980s, that began to change. At the plenary meeting of the International Radio Consultative Committee in Dubrovnik in 1986, the Europeans managed to prevent the Japanese HDTV standard being imposed on the rest of the world. The Japanese standard has 1,125 horizontal lines. Japanese conventional sets have 525 lines, as do TVs in the US, while European sets have 625 lines. As 1,125 is not a simple multiple of either 525 or 625, adoption of the Japanese standard would have meant television owners worldwide would have had to buy new sets.

Instead, the Europeans proposed an HDTV system with 1,250 lines. As this is exactly double the number of lines currently used, owners of existing sets would be able to watch the new high definition programmes on their old TVs, although without the benefit of the clearer pictures. The European companies argued that the move from conventional to high definition television would then be as painless for the consumer as the transition from black and white to colour.

The system developed by the Europeans was based on a standard called Mac. In 1986, a European Community directive specified that all satellite broadcasts had to use the Mac system. The directive did not, however, apply to lower-powered telecommunications satellites - an omission that was to have a damaging impact on Mac's prospects. The Astra satellite fell outside the directive's remit, allowing broadcasters like Mr Rupert Murdoch's Sky Television to transmit programmes in PAL, the system currently in use in the UK and several other European countries.

The satellite broadcasting directive expires at the end of the year. TV set manufacturers such as Thomson and Philips are determined that the directive which replaces it should give the Mac system a boost by forcing new broadcasters and possibly existing satellite companies to use it.

Almost all Europe's satellite broadcasters are opposed to any form of compulsion. Coopers & Lybrand, the accountants and management consultants, argued in a report last August that few European TV viewers would be able to see Mac anyway. The Coopers report, produced for some of the satellite broadcasters, said that of the 160m European households with televisions sets, 81 per cent received their signals from terrestrial transmitters only. Although this proportion would diminish, Coopers said, terrestrial television would remain more important than any other form of transmission. Mac is not suitable for national terrestrial transmission.

Mac could be of some benefit to viewers who watch cable television, which Coopers puts at 16 per cent of European TV-owning households. The report argues, however, that many cable operators will continue to use the existing broadcasting systems.

Opponents of Mac argue too that developments elsewhere in the world could make the standard redundant. The US is considering what standard to adopt and is expected to opt for a digital HDTV system. As this could be used for all forms of transmission, some argue that Europe should wait to see what standard the US chooses.

Thomson and Philips counter that it could be a decade before fully digital tele-

High quality definition television pictures exhibited in Berlin in August this year should already satisfy all but the most fastidious viewers

vision takes off. Widespread adoption of Mac would, they argue, ensure that European companies are not left behind in the development of a critical technology. HDTV technology, they point out, will not just be used in television sets. Its applications will extend to computers, defence and medical equipment.

The case for waiting is strengthened, however, by the experience of Japan, the HDTV pioneers. NHK is due to start transmitting eight hours of high definition television a day from November. With sets selling at Y4m, however, there are not many takers. Manufacturers are looking at cheaper ways of improving television pictures.

There were plenty of improved definition pictures on offer in Berlin last August. Although they fell short of fully-fledged HDTV, they might end up satisfying all but the most fastidious of viewers.

Christopher Price on the bruising duel between rival systems

Star wars over Europe

EUROPE'S increasingly fraught debate over the future of television transmission standards for high definition TV is shaping the development of the continent's two leading satellite operators, Astra and Eutelsat.

While the European Commission dithers, and electronic manufacturers and programme makers argue the merits of particular standards, the business of putting satellites into space is made increasingly difficult.

Driven by competition, Astra, the private satellite group owned by a consortium of European banks and media groups, is cautious over how much of its capacity it will give over to HDTV transmissions. It already has two TV satellites – Astra 1A and 1B – in orbit broadcasting 26 channels, 22 in the PAL standard and 4 in D-Mac.

The group has so far done well out of attracting business on TV's least radical transmission option, PAL, and has been busy defending the rights of broadcasters to choose their own standards as a consequence.

"Prior to our first launch in 1988, we were in favour of one transmission standard, but we were confronted by two big problems," says Yves Selters at Astra's holding group SES in Luxembourg. "The first was that the UK, Scandinavia, France and Germany all used different standards for D-Mac. Secondly, the equipment for PAL was readily available, whereas the latest Mac equipment was plagued by delays."

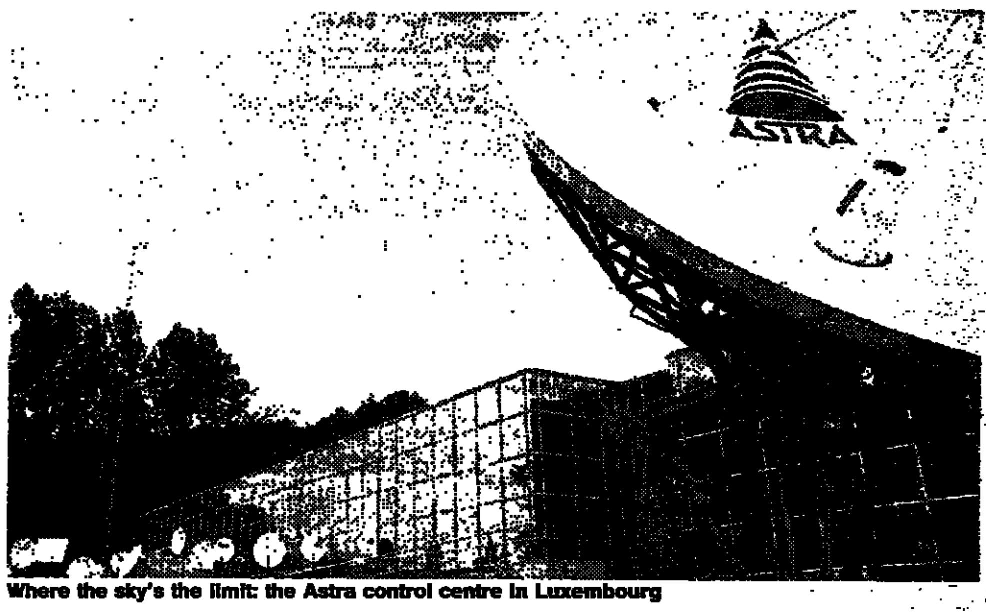
Worryingly for Astra, the latest draft broadcasting directive from Brussels would seem to sound the death knell for PAL, a decision that could have damaging implications for both satellite group and its users.

"The draft directive is clearly outrageous," says Selters. "We believe that broadcasters should be able to use the standard they want and that there should be a gradual move towards standards compatible with HDTV."

Astra and its users are worried that the receiving equipment will not be ready for as quick a change over to D2-Mac as the Commission would like. The result could damage Astra's chances of getting new business on its future satellite launches – which the draft directive has said must broadcast in D2-Mac. Last year, Astra turned in a modest operating profit of LFr360m (£5.9m).

A memorandum of understanding accompanies the draft directive with all the parties concerned as signatories. But Selters says: "We will not be signing it in its present form."

Astra 1C is scheduled to launch in the first quarter of 1993 at a cost of Ecu150m and



Where the sky's the limit: the Astra control centre in Luxembourg

Astra is understandably unclear over the divide between PAL and D2-Mac for the 16 channels available – as are its potential customers. Astra 1D will launch in 1994 with four transponders set aside for HDTV, although Astra is again unable at this stage to give exact specifications.

Eutelsat too is tied by whichever way the Commission decides to fall. However, the group's diversity – 35 per cent of its annual income is from non-TV services – allows it some scope to plan its business. Eutelsat is also a non-profitmaking organisation, owned by a 28-member consortium of Europe's telecoms operators, thus its commercial aspirations differ from Astra's.

"We are creating a modern communications infrastructure and providing a comprehensive satellite service to Europe," says Jean Grenier, Eutelsat's director-general. "Eutelsat is efficient, useful and low-priced."

Because of its non-commercial element and diversification, the organisation has been laying more definite plans for the future. As part of the Eureka project, Eutelsat is garnering support for its Europesat-2 satellite which will be launched in 1996 in a Ecu900bn programme involving a total of three launches. The programme is being supported by 10 countries: Germany, Italy, Holland, Portugal, Spain, Sweden, Switzerland, and Yugoslavia. Transmitting in HD-Mac, the new HDTV standard, it will provide 40 channels and payment will be pro rata on usage. Contracts could be signed by next summer.

Ahead of that, Italy, France, Germany and Austria have ordered a provisional HDTV satellite launch from Eutelsat for 1993 – in anticipation at the Commission's move.

However, Brussels is also behind moves which could undermine Eutelsat's relationship with its PTT shareholders and expose it to the icy wind of competition. Under the Commission's "open skies" proposals in its broadcasting Green Paper, Eutelsat would be forced to offer its services direct to third parties, which at present must go through the local telecoms shareholders.

While fighting the proposals, Eutelsat is pressing ahead with a programme of diversification which will ensure its survival. "In spite of our TV satellite launch programme, income from TV is if anything likely to reduce in the future," says Vanessa O'Connor head of media communications at Eutelsat. "We don't want to keep our eggs in one basket, so Eutelsat will be looking more at niche markets, like mobile telecommunications."

Another area attracting Eutelsat's attention is the emerging market for telecoms services in eastern Europe. Recently Poland and Romania joined the Eutelsat consortium and others are likely to follow suit. Unlike Astra which has targeted the lucrative western European TV market as its chief source of revenue, Eutelsat believes that the area offers great potential for satellite services. It would also allow the organisation the chance to extend its influence out of the grasp of Brussels – and to gain greater commercial safety.

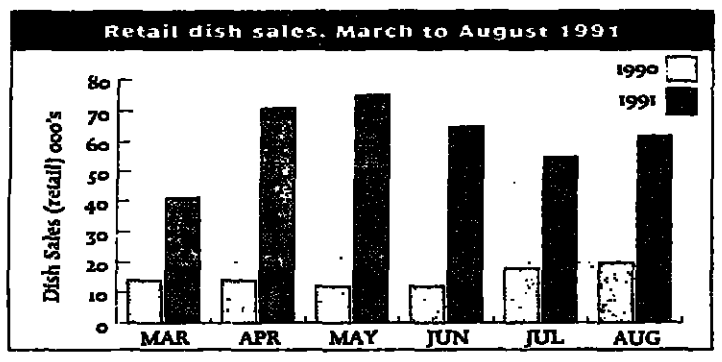
Christopher Price

Blood, sweat and cheers.

Over 8 million viewers and growing fast. Sky is now in 2.4 million homes throughout the U.K. and Ireland.

Over 1 million subscribers to our movie channels.

The growth in dish sales this year compared to last year.



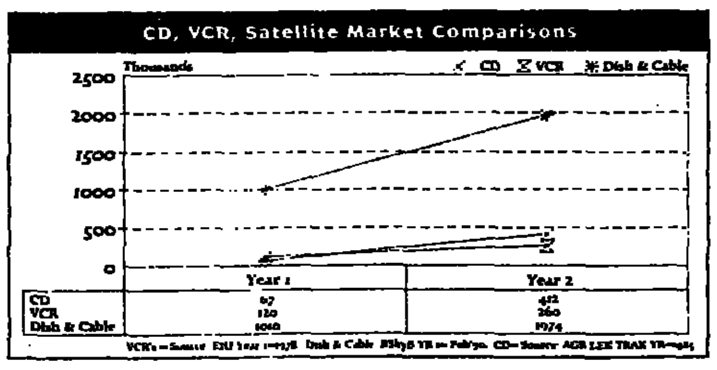
Our audience size compared to other ITV regions.

Sky Homes compared with the top 9 ITV Regions

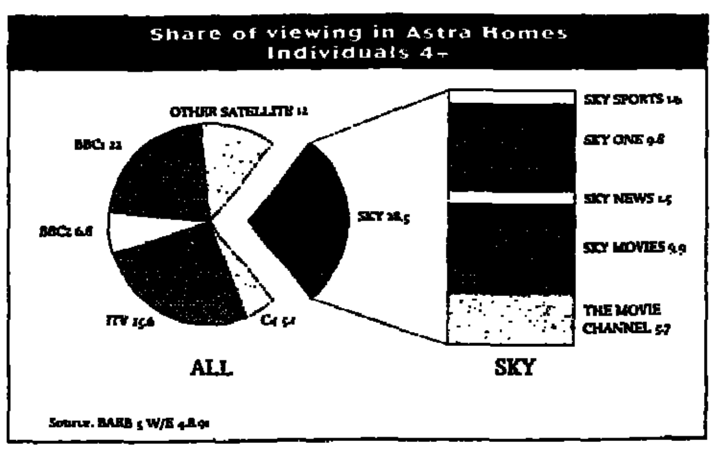
Area	Homes '000's	Area	Homes '000's
1. London	4426	6. TVS	2112
2. Central	3576	7. HTV	1789
3. Granada	2569	8. Anglia	1606
4. SKY	2334	9. Scottish	1393
5. Yorkshire	2287	10. Tyne Tees	1259

Source: ITV Homes. BARB Establishment Survey March 1991. Sky Homes: Sky Marketing Distribution Dept. August 1991

Satellite TV penetration has been faster than VCR's or CD's.



Homes with satellite TV view Sky the most.



And we're still expanding. Sky launched The Comedy Channel on 1st October to wide acclaim.

SKY

See what you're missing.

* Sky is the collective trading name of British Sky Broadcasting Limited and Sky Television PLC.

The UK cable television market is finally stirring, writes **Raymond Snoddy**

A bigger choice for those who want it

CABLE television is starting to take off in the UK eight years after the first experimental franchises were announced by the Government. The results achieved so far may be modest in terms of absolute numbers but they are very real.

A major business is slowly emerging from under the shadow of a more showy rival – satellite television – and a revaluation of the investment potential of cable as an industry by the City and British financial institutions may only be a couple of years away.

"It's nice to see all the things we talked about starting to happen at last," says Mr Michael Storey, director of communications at Videotron, the Canadian cable company which is one of the big players in London.

It has a swathe of seven adjacent franchises running from Thamesmead, Greenwich and Lewisham in the southeast through Kensington and Chelsea to Ealing and Harrow in the west. The company's franchises account for nearly 1m homes or 37 per cent of all the homes in London apart from another 108,000 in Southampton and Winchester.

Michael Storey remembers when the offices of cable companies were rather silent places where the telephone did not ring very often. By contrast Videotron's Lewisham offices are abuzz with customers coming in to pay their bills or callers inquiring about cable television.

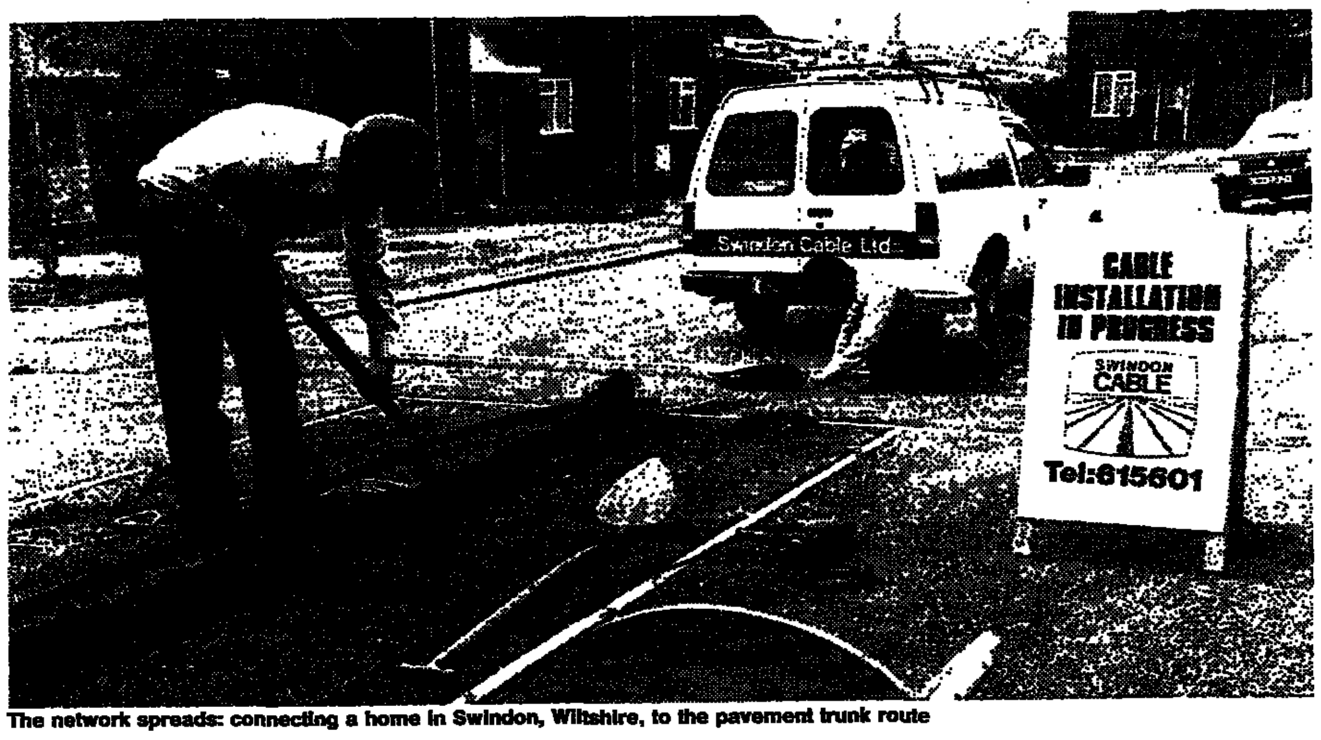
Videotron has now well over 45,000 subscribers and should soon top 50,000. Even more importantly over the past year, Videotron says it has taken its penetration rate – the ratio of actual subscribers to the number of homes passed by cable and therefore capable of subscribing – from 14.8 per cent to 25.2 per cent.

The latest official statistics from the Independent Television Commission, the regulatory body for all commercial television, show that 191,610 homes were connected to modern broadband cable networks on July 1.

For the first time, the number of homes passed by multi-channel cable topped 1m, an increase of 79 per cent over the past year. Over the same year penetration has edged up gradually from 16 per cent to 18.9 per cent and is still believed to be rising.

More than 40 franchises are now actually operating compared with only 29 last year.

"More actual cable will be laid in the streets in the last six months of this year than in the six preceding years. It really is happening," says Mr Tony Currie, an executive in the cable division of the ITC.



The network spreads: connecting a home in Swindon, Wiltshire, to the pavement trunk route

More miles of cable will have been laid in the streets of Britain in the latest six month period than in the preceding six years

Several factors have revitalised the current outlook for cable in the UK compared with bleak years when the rhetoric was hollow and so little was happening that it was reasonable to write the industry off. The main factors are the arrival of large North American investors, improving programme quality helped by the six BSkyB channels and the growing awareness that the provision of local telephone and other telecommunication services will provide an important additional stream of revenue.

The most important factor has been the arrival in force of large North American telephone companies and cable operators – companies which not only believed in the future of cable but were prepared and able to invest the billions of pounds needed to make it happen.

Four of the US Baby Bell telephone companies are active in the UK – Pacific Television, Southwestern Bell, US West and Nynex, the New York and New England telephone company. In addition, apart from Videotron, there are United Artists, Jones Cable, US Cable, Comcast and Bell Canada.

"We saw a long term opportunity in the UK both in cable and telephony," says Mr Wayne Gowen, managing director of US West Cable Communications. The company is involved in franchises covering more than 2.5m homes ranging from Croydon to Edinburgh and Birmingham to the London Borough of Hillingdon.

The US West strategy has been to admit that it is not an experienced cable television operator and has decided to take typically 25-30 per cent stakes in partnership with a number of cable companies including United Artists, Comcast Corporation, Cable Corporation and US Cable.

Apart from investing hundreds of million of dollars US West is contributing its expertise in developing competing telecommunication services.

Mr Michael Turner, chief executive of Southwestern Bell International, which has franchises covering 1.25m homes including Preston, Telford and the Midlands area west of the M5, is optimistic about cable in the UK.

"We would expect the UK cable business to be profitable for us in about four or five years," says Mr Turner who is optimistic that within two years the results should be good enough to attract in either new investors or raise debt finance.

Southwestern Bell's first penetration rates at around 16 per cent were a little lower than expected but things are now improving and the subscription rate has topped 20 per cent in the Midlands.

Ms Terry Collins, vice president of business development for United Artists Cable which has franchises covering 1.5m homes, believes there is no longer any doubt that cable is going to be a success in the UK.

"People are getting accustomed to a multi-channel environment," Ms Collins says. Rather than being a direct rival to cable, satellite television has actually helped to increase awareness of it, she believes .

Cable salesmen head straight for homes with satellite dishes as the best prospects for cable.

"We convert about 70 per cent of dish homes to cable," the United Artists executive says. For many people who see satellite dishes as eyesores, cable can offer more choice.

Among the growing optimism there are some voices of caution. One is that of Mr Graham Duncan, whose cable interests include Aberdeen Cable, one of the few modern cable networks in the country which have been completed.

Aberdeen has around 13,500 subscribers – a penetration rate of 14.5 per cent. Although it is a good business and already a profitable one the rise in subscribers is painfully slow.

Mr Duncan fears that the ceiling for those wanting multi-channel television in the UK may be lower than in the US where more than 50 per cent of homes have cable. It may take 10 years to reach penetration levels of 30-35 per cent in Britain so costs have to be kept low, Mr Duncan believes.

" I despair at the levels of costs that some American operators are taking on," Mr Duncan argues.


Experimental cable television research at a BT laboratory

In Germany, they call it a "Kabel-Boom", writes **Don Kirk**

Promise of a rich harvest from holes in the road

AN EXTRAORDINARY "Kabel-Boom" has given Germany the European lead in both cable network distribution and potential cable TV users. There is cable access into 16.2m homes.

With commercial television gaining in popularity, Germany's postal authority, the Bundespost, has stepped up maintenance and distribution of cable facilities. At the same time, alternatives to cable, including parabola aerials, have found a lucrative market.

Germans have been at odds with the idea of cable television since 1983. In that year, the Bundespost tore up roads, unearthed gardens and angered citizens with a multi-billion DM project to provide the majority of Germany with cable television hooks ups. At that time, it was a project with an uncertain future.

Since then, the popularity of commercial television has made it good business. Telekom, the telecommunications arm of the Bundespost, expects 1.5m new users this year. By 1995, it claims enough cable will be laid to embrace 80 per cent of all homes in Germany. That means 20m households for a total investment of DM15bn, or DM1.5-DM2bn a year.

The latest development in the cable business followed German unity. The expansion in the size of the country's TV viewer market forced greater attention on the "underdeveloped" East. Regions around Dresden had never seen anything but Communist television.

This year, Telekom says it will supply some 550,000 homes in eastern Germany with cable TV. By the end of 1992, it plans to provide 1.3m more hook ups. By 1997, 90 per cent of all homes in eastern Germany will have cable access.

For many that is not fast enough. A popular alternative is the parabola aerial. After unification, the market exploded. By 1989, manufacturers had sold only 300,000 systems in Germany. Last year alone, it 900,000 were sold – largely in eastern Germany. At present, some 1.1m Germans have "dishes" installed.

Of the 900,000 parabola aerials sold last year, only 300,000 were in western Germany. Considering the much lower population of eastern Germany, that means that twice as many parabolas per capita were sold in the former GDR.

The sales potential is phenomenal. It is estimated it would take at least 7m systems to saturate the market. This year alone, manufacturers expect to sell systems for at least DM1.1bn, a 50 per cent increase over last year.

The new market for dish aerials is strong, but hotly contested. The field is covered already by 55 manufacturers. The largest portion of market is covered by six German manufacturers, but foreign manufacturers – particularly Amstrad of the UK – has made considerable strides. Systems worth some DM259m were imported last year, a 200 per cent increase.

Turnover from parabola aerial sales has increased 10 fold since 1989, when Germany launched its first direct satellite Kopernikus, TV-Sat. At the moment, four out of five aerials are sold to receive Luxembourg Astra. By June of this year some 1.8m homes in western Germany could receive Astra, according to Astra distributor SES, who also estimate that at least another 1m homes in eastern Germany can also receive Astra programmes.

A study by the Nuremberg based research institute Gfk (Gesellschaft fur Konsumforschung) shows that 80 of all new satellite aerials in Germany are directed at Astra. That has not gone unnoticed at the German networks. ARD the largest German network, has plans to transmit its satellite programme Eins plus, and German pay-tv channel Premiere has a contract with SES.

Up to 38 television, 30 FM radio programmes and 16 digital radio programmes (CD-quality) can be received via cable. Large picture formats (HDTV) and better sound in TV is planned and the growing popularity of commercial television and radio has strengthened the Bundesposts' resolve to increase cable services.

One of the most lucrative possibilities for German cable could be pay-TV. Bertelsmann, Germany's largest media corporation, launched a pay-TV channel this year with French partner Canal-Plus. It has since gained 230,000 subscribers with a mix of top sports events and current movie hits. The Hamburg-based satellite channel hopes to reach 800,000 subscribers by 1994.

Pay-TV in Germany must compete with 20 other television channels, but according to general manager Wolfgang Hunsel the future is bright. "We expect cable TV to become the single largest method of transmission in eastern and western in Germany. By 1994, we believe a majority of people will have cable TV."

The combination of parabola and cable is welcome. The pay-TV channel uses Astra to allow transmissions to eastern Germany and makes strides where cable spreads. Hunsel claims the channel will make a profit by 1994. But like other commercial channels in Germany the fate of pay-TV is linked with how quickly cable facilities are made available.

Gulf war was good for French cable, writes **Alice Rawsthorn**

Couch potatoes have a field day, thanks to CNN

WHEN the CNN reporters ducked beneath their hotel room tables to dodge bombs while they broadcast from Baghdad during the Gulf War, little did they know that they were giving a sorely needed shot in the arm to France's cable television industry.

Lyonnaise Communications, the company providing the Paris cable service, received twice as many telephone inquiries as usual in the first week of the war. Région Cable, the Compagnie Générale des Eaux (CGE) subsidiary which is one of the largest provincial cable operators, also saw a sharp increase in the number of inquiries.

Almost all the new inquirers were eager to plug into cable so they could play couch potatoes while watching round-the-clock war coverage on CNN. This surge in interest was exactly what the cable companies needed as they struggle to meet the French government's target of achieving an audience of 1.3m homes by 1992.

So far France's cable industry has shown no sign of being able to meet this target. By the middle of this year 647,446 French homes subscribed to cable, according to figures from Agence Câble, just over 20 per cent of the 3.2m homes that have access to cable television.

This represents a respectable 26 per cent increase over the 514,808 French homes receiving cable at the end of last year. The CGE networks gained an additional 27,000 subscribers in the second quarter of the year alone.

However the figures disguise the fact that a significant number of France's cable subscribers only receive a limited "mini-basic" service. Some are connected to communal satellite services which only offer the six main terrestrial channels and are unable to take a full service. Others could receive the full service if they wanted, but have chosen not to do so. The number of subscribers with at least 15 channels, including the terrestrial channels, stood at 475,725 by the end of June.

While the French cable companies struggle to increase their subscriber bases, the satellite television system is in a state of stasis. The two Telediffusion satellites – TDF1 and TDF2 – have been dogged by technical problems.

At the same time a shortage of receiving equipment has ensured that the progress of France's satellite system is well behind those of Britain and Germany.

This means that the development of France's cable and satellite systems in the early 1990s is still well behind the ambitious targets set by the government at the beginning of the 1980s.

When the government unveiled its Plan Câble in 1982, it envisaged a system which would be available to 6m French homes by 1992 and would be used by at least one in five of them.

Initially France Telecom had a monopoly over network building, but this came to an end in 1986 after complaints that it was concentrating construction in commercially unattractive areas. At the same time the government abandoned its decision to use expensive fibre optics technology, in favour of a cheaper co-axial system thereby reducing the cost of setting up a new network.

Despite these changes, progress has been slow. One problem was that until recently the programming on the cable services tended to be dominated by foreign language channels. This made it difficult for them to compete against the three new terrestrial channels – Canal Plus, La Cinq and M6 – which were also launched in the 1980s.

Another problem is the difficulty of raising capital to finance the construction and development of new networks. The slow progress of the cable system in its early days still clouds the financial community's perceptions of cable as a potential investment.

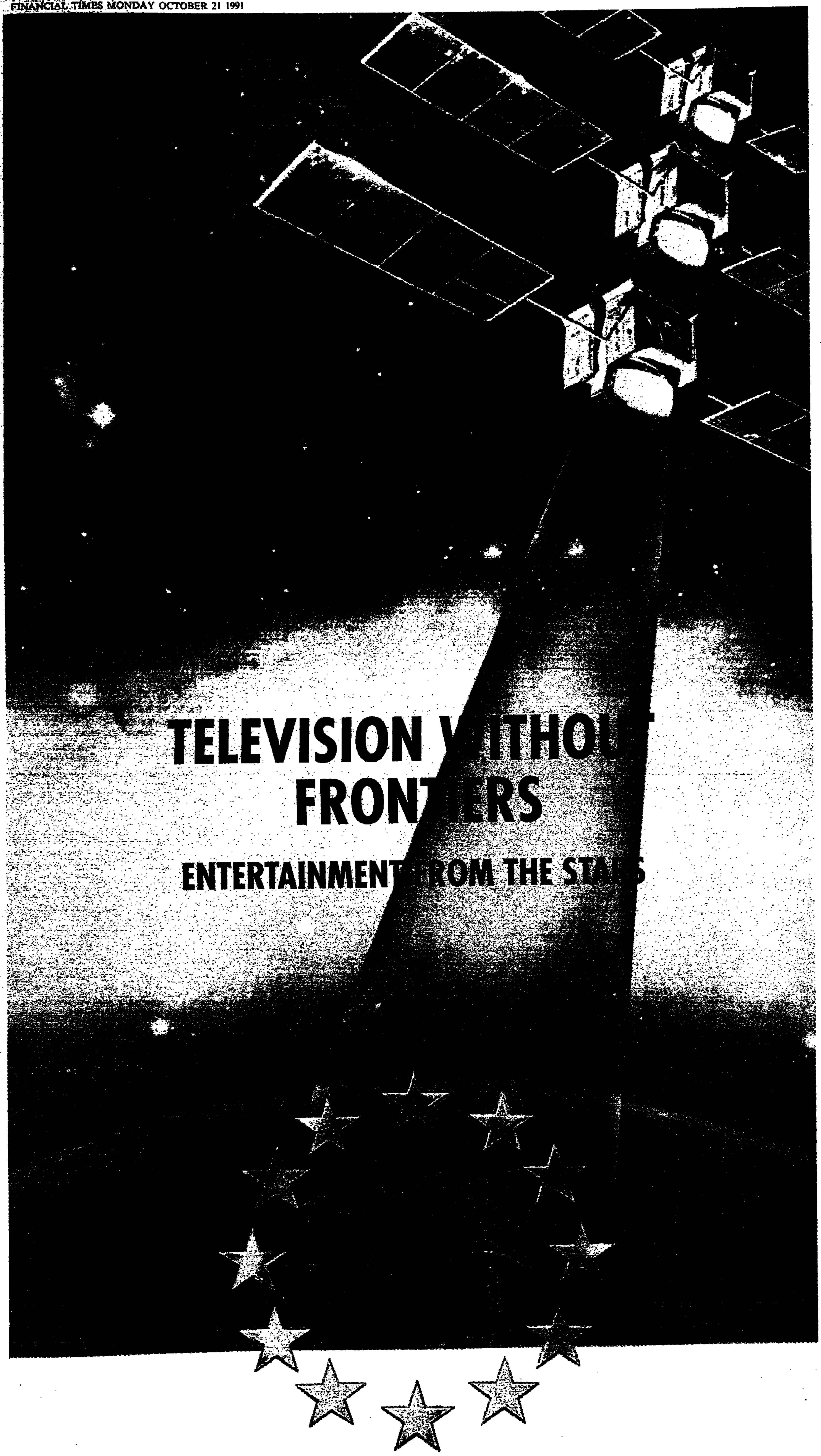
Until recently the fledgling cable networks also faced stiff opposition from the property sector. Earlier this year legislation was passed to allow cable companies to connect subscribers in apartment blocks despite opposition from the landlords. Until then one landlord in 10 had refused to allow his tenants to take cable.

A stroppy real estate lobby is the least of the problems facing France's satellite television industry, where the rate of progress has lagged far behind that of cable.

One obstacle has been the shortage of satellite receiving equipment. At the same time the TDF satellite has suffered a series of technical problems. The French government has taken steps to try to rectify these problems, but it will take time before they are fully implemented.

The progress of satellite in France has also been dogged by an absence of the marketing and promotional activity that marked the battle between the competing Sky and BSB services in the UK before their merger earlier this year. The battle between the British services was cripplingly costly for both companies, but at least it succeeded in raising awareness of satellite as a broadcasting medium.

Canal Plus is committed to investing in promotion to stimulate French satellite too. It remains to be seen how successful it will be.


TELEVISION WITHOUT
FRONTIERS
ENTERTAINMENT FROM THE STARS

Raymond Snoddy probes the success of Britain's 'shotgun' merger

When two into one had to go

EARLIER this month British Sky Broadcasting, the satellite television venture, launched a sixth channel – the Comedy Channel. It is a somewhat modest offering.

Apart from plans to film the occasional alternative comedian it will mostly feature rather whiskery series bought in from the US and "classic" BBC comedies such as *Steptoe and Son* and *Porridge* bought by British Satellite Broadcasting in the days when BSB aspired to be a "third force" in British broadcasting not unlike BBC and ITV without the worthier bits.

The launch of the new channel was also partly a marketing ruse launched in the hope that viewers would be laughing too hard to notice that the price of the subscription film had just risen by £2 a month.

Nevertheless, the decision to launch an extra channel at all is a small symbol of growing confidence at the merged television group that has so far absorbed combined losses of more than £1.5bn.

By any standards, the progress of satellite television in the UK in the past year has been dramatic.

Last October, two powerful competitors, Mr Rupert Murdoch's Sky Television, badly trailed by British Satellite Broadcasting, were each spending fortunes in splitting the still nascent market. By the end of that month the total number of homes receiving satellite television direct totalled just over 1.1m including around 175,000 Squarials.

Last November's merger of these two satellite rivals came not a moment too soon. BSB was about to miss its next sales target set by the banks which would in turn have almost certainly blocked the next tranche of financing, triggering a financial crisis.

In turn, Mr Murdoch's News Corporation was in serious trouble over a $7.5bn refinancing – more serious than was probably realised at the time. The bankers were insisting that something had to be done about Sky's losses before they agreed to the refinancing.

In the end there was a rough equality of misery with Sky taking on 50 per cent of the losses and the risk and the main BSB shareholders – Granada, Pearson, Chargeurs and Reed International, shouldering the rest. In April, Reed decided to invest no more in the venture and its stake has been heavily diluted as a result.

Almost a year later, the total number of dishes was just 1.8m and continuing to rise by around 65,000 a month. With an extensive marketing campaign under way the total number of dish homes might reach 2m before the end of the year although sales could just fall short.

But much more important than the growth in the number of actual dishes has been in the transformation in the finances of the company since the "shotgun" merger.

The BSB culture and virtually all its staff were obliterated as staff and channels were combined but total losses running at around £11m a week have been reduced to around £1.5m a week in operational terms.

Apart from the Comedy Channel, the BSkyB programme package on the Astra satellite is made up of two film channels – the legacy of the separate film packages bought from Hollywood in a high-spending auction between Sky and BSB-Sky News, Sky One, the general entertainment channel, and Sky Sport.

It may have been a crazy way to organise a satellite television venture but what BSkyB has managed to buy at hugh cost is a virtual subscription television monopoly in the UK.

All the available evidence suggests that the only forms of television that consumers are prepared to pay extra for are recent Hollywood films and, to a lesser extent, high quality sporting events.

Popular offering: return of the Steptoes

Rupert Murdoch: a sharp reduction in losses

Shapes of the future: an exhibit at Astra's Luxembourg control centre

BSkyB has long term deals with all the main Hollywood studios and it is very difficult to see how anyone trying to launch subscription television in the UK could challenge that dominance.

At the end of August, according to Mr Gary Davey, the BSkyB deputy managing director, the satellite venture was available to a total of 2.4m UK homes by all methods of distribution including cable. The Broadcasters' Audience Research Bureau figures suggest a total closer to 1.9m.

BSkyB does, however, have totally precise figures for the number of homes paying a monthly subscription. At the end of August, Mr Davey said that a total of 1.287m homes subscribed to at least one film channel whatever the method of distribution. There were slightly more than 1m subscribers in homes with satellite dishes with 568,000 paying for both film channels at a current cost of £16.99 a month.

Mr Frank Barlow, managing director of Pearson and chairman of BSkyB, has become increasingly optimistic about the prospects for the venture and has said repeatedly he believes it will break even in operational terms.

Opinion is much more divided on whether BSkyB has a realistic chance of making a real profit without writing off some of the enormous debts of the past. Because of the nature of the subscription television business – once you reach a critical mass of viewers the profit margins on additional customers becomes very high – some investors believe they can manage without write-offs.

BSkyB clearly has residual problems. The joint venture is still being sued by manufacturers of BSB equipment left in the lurch by the sudden merger. There are also the costs of making good the promise to replace around 200,000 Squarials with Astra receiving equipment before the end of next year when dual broadcasting on both the Astra satellite system and the BSB Marco Polo satellites is due to end.

There are also fears that a new satellite to be launched by the Eutelsat, the European consortium of telephone operators, into a similar orbit to that of Astra will cause interference with BSkyB pictures and require 80cm rather 60cm dishes.

Perhaps the greatest uncertainty of all that BSkyB faces is not knowing whether its audience will continue to grow. All the signs are that if there is such a ceiling it is higher than 2m homes.

The latest FT Satellite Monitor, produced by Continental Research, found that in September 339,000 said they would definitely install satellite television and a further 2m said they probably would.

The pressing task for BSkyB now is to try to convert as many of those "probables" into "definites" as soon as possible.

The strategy will almost certainly include buying up the rights to attractive sporting events.

TV cable players have the telephone market in their sights

The opposition goes underground

BRITISH Telecom and Mercury Communications need not quake in their boots yet but telephone services through cable television networks are starting to take off.

Mr Tim Halfhead, managing director of The Cable Corporation with cable franchises in Windsor and Middlesex, and one of the pioneers of cable telephony, has no doubt whatsoever that telephone services are going to provide a major financial boost for the industry.

Windsor Cable now has 3,750 telephone lines, about 2,700 of them for business customers.

"We are now moving fast and are whacking in about 500 extra lines a month," says Mr Halfhead.

Cable telephony offers a wide range of benefits to both customers and cable operators.

Apart from very clear lines there is the potential for extra services such as call forwarding, call barring and itemised billing plus discounts that range between 10 per cent and 17 per cent.

Cable telephony, Mr Halfhead believes, can transform the nature of the cable telephone business. Monthly revenues from the 3,750 telephone subscribers is now exceeding that of the 15,550 television subscribers in the Windsor area although the profit margins are not so great.

Whether it is the clearer voice quality on the calls, the discounts or the fact that heavy telephone users are the ones attracted in the first place, cable telephone subscribers use their telephones a lot and spend more than average.

'We are whacking in about 500 extra phone lines a month'

The average residential Windsor subscriber spends an average of £23 a month on calls compared with a national average of about £13. The average business subscriber is spending around £140 a month on call charges, again higher than average. The benefits go beyond telephone revenues. The two services coming out of the same ducts in the ground – telephony and television – reinforce each other in the minds of subscribers.

When you start to offer a cheaper telephone service, Mr Halfhead argues, television subscription rates go up by 75 per cent from around 17 per cent with cable alone to between 27 per cent and 30 per cent.

A 30 per cent penetration rate is a magic threshold for cable companies: get over it and cable becomes a seriously profitable business.

The Cable Corporation is just beginning work on its Middlesex franchises in the London boroughs of Hillingdon and Hounslow. But it is so convinced of the value of telecommunication services that it is installing the equipment for both television and telephone services from the outset.

The experience in Windsor may be slightly untypical because the franchise area includes the Slough trading estate with its high density of potential business users.

But there is a growing view that cable and telecommunications are going to be important for each other. Overall the number of cable telephone lines is between 12,000 and 13,000 and rising fast.

CIT Research, the communications research group predicted recently that cable telephony could be worth £1.35bn a year by the year 2000 with 700,000 households and 100,000 businesses subscribing.

According to CIT, however, cable television operators will pass £1.1bn of their revenues straight to trunk operators like BT and Mercury keeping just 20 per cent for themselves. Even that would amount to an important revenue stream for cable. Mr Rob Ollerenshaw of CIT estimates that cable operators will manage to capture less than 10 per cent of the telecoms market by the year 2000 but this will accounts for 38 per cent of total cable TV revenues which will play a vital role in the industry's survival.

Cable might do even better out of telecoms.

The Government's duopoly review, which opened the way to increasing competition for BT and Mercury, allows cable television companies to take charge of their own destiny. Companies can not only take over responsibility for switching their own local calls but can go to a third party to handle their truck calls.

The cable industry is already talking with potential rivals to BT and Mercury. New entrants to the market are likely to include consortia headed by British Rail, the waterways and canal companies the Post Office and even the privatised IBA transmitter company National Transcommunications.

"The impact of cable telecoms will go far beyond the local network – it is the point of access for a whole world of competitive and advanced telecommunications services both for now and the future," according to the Cable Television Association.

All the big American phone companies want to move in

Cable will be the main way, the Association adds, to bring advanced telecommunications services to residential customers and medium-sized customers.

All the big North American telephone companies are keen on offering telephone to their cable customers and most are doing it from the outset.

Initially, Southwestern Bell was a little cautious about the regulatory framework but is now confident enough to go ahead. It is believed that telephony is in the company's business plans for 1992.

Apart from Windsor, the main parts of the country where cable telephony is available include Birmingham, Avon and the London franchises of Tower Hamlets, Camden, Haringey, Croydon and Morton and Sutton.

In all but Tower Hamlets, US West, one of the four US Baby Bell companies with major investments in British cable, has a stake.

"Cable TV and telephony services are proving very valuable to UK consumers," according to Mr Wayne Gowan, the US West managing director.

"US West will continue investing both in UK cable infrastructure and in core skilled people to move the industry forward, expanding telephone services and providing the UK public with the choice it deserves," he added.

Some hope that cable will emerge as a third competitive force to both BT and Mercury.

Raymond Snoddy

هكذا من الأصل

Harriet Arnold finds out what's on offer

Cultural allsorts

AS multi-channel television has struggled to gain a presence in the living rooms of the UK, high-brow cultural Cassandras have tended to conjure up a television future of wall-to-wall tack – in taste, variety and packaging the equivalent of an airport bookstall.

Cable and satellite programme providers, however, promise something more like a broadcasting Charing Cross Road, where the bibliophile chooses between the big generalist bookshop or the sci-fi specialist, the remaindered titles shop or the seller of classic vintage stock.

Jon Davey, director of cable at the Independent Television Commission, observes that while demand for cable and satellite television is driven by demand for the movie and general entertainment channels among programme providers, "the tendency appears to be to specialise. Progammers are looking for their own particular niche."

The technology makes it possible in theory for homes to receive around 30 channels – and more will become available. Thus while the biggest drawers of subscribers are the movie and general entertainment channels, the programme providers can supply a diverse range of themed programming services – it is feasible that they can please more of the people more of the time. For both cable and satellite, subscriptions are likely to remain a vital source of revenue (in the US about 90 per cent of revenue is from subscription and 10 per cent from advertising, albeit a crucial contribution). If you want sport, tune into a sports channel at almost any time of the day. If you want to mesmerise the kids during the whole of any day of the week, tune in to a children's channel.

As Michael Storey, director of communications at Videotron, with franchises around London and the south-east, says: "It is all about choice and diversity. We need as much diverse programming as possible to meet the needs of our cosmopolitan marketplace. We are interested in every incremental segment of the market that we can attract." Hence, Videotron includes alongside more mainstream programmes services in Japanese, Arabic and Indian languages.

Yet the experience in the US and in continental Europe has tended to confirm high-brow fears of several channels devoted to gameshows, soaps and soft-porn and not much else. In the UK, Ms Jane Perry, research director of Young and Rubicam Media In Europe, agrees that initial figures also indicate downmarket taste, but she believes that a historical and technological skew may be partly responsible for this.

As further relatively upmarket areas are targeted by the cable operators, Jane Perry believes, new leafy-suburb audiences will be prepared to pay a premium to receive a package of programming that includes 24-hour news and current affairs, movies, music and documentaries.

The question remains, however, how many people will be prepared to pay how much for, say, a dedicated opera service.

In the US, Betsy Frank, a new media director at Saatchi and Saatchi advertising agency in New York, reflects on the triumph of experience over hope: "The picture painted 10 years ago of what the TV environment would be like is diferent from what we have got." It was thought that the brave new broadcast world would feature diversity and experiment, a different kind of television. It sounds familiar. But relatively high production costs and lack of advertising dollars and audience interest intervened.

However, some new ventures such as courtroom TV, sci-fi and Celtic interest channels, are coming on stream. But, warns Ms Frank, "how much control do you have over what is available to you individually?"

The following are a selection from the range of UK-based programming available on cable and satellite. In terms of percentage of total weekly viewing taken by each channel in homes receiving that particular channel Sky Movies+, Sky One, and The Movie Channel are well ahead followed by the Children's Channel, Sky Sports and MTV.

Sky One: General entertainment, including thematic specials such as a block of sci-fi features on a particular night.

Sky Movies: Films, including TV premieres of recent films, In Bed With Madonna, for instance, and special events.

Sky News: 24-hour news and current affairs, which like CNN proved itself at crucial moments in the Gulf war and the Gorbachev coup.

Movie Channel: Movies and movie information.

Sky Sports: UK and international action and news. Pulled off a number of live coverage coups.

Comedy Channel: New Sky service ranging from Carry On films to Steptoe and Son to Here's Lucy.

Children's Channel: Airs children's programmes throughout the day, ranging from old features such as Ivor the Engine, to drama series, gameshows, and magazines.

CNN: 24 hours of news, current affairs, sport, live coverage of international events.

Indra Dhnush: On cable only, to 12 operators: mostly Hindi-language but also Pakistani and Punjabi films. Output includes music, magazine and star interviews and drama serials.

Japan Satellite Television: Japanese-language output, much of it supplied by Japanese public broadcaster NHK, of news, drama, documentaries, children's and special events. Supplies most London cable TV plus Swindon and Milton Keynes.

MTV Europe: 24-hour broad pop music theme including videos, concerts, documentaries and specials, such as Dire Straits planned for November.

Lifestyle: aimed at women during the day with magazines and general entertainment.

Discovery: Documentaries on nature, wildlife, science and technology themes. Recently ran a "Shark Week" and has bought in the Voyager series.

Yesterday In The Commons: Coverage from the House of Commons.

Egyptian Satellite TV: national Egyptian TV broadcast in real time via Arabsat.

There are, many, various channels receivable from Continental Europe.